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MESSAGE

OF THE

PRESIDENT OF THE UNITED STATES

COMMUNICATED TO THE

TWO HOUSES OF CONGRESS

AT THE

BEGINNING OF THE FIRST SESSION OF THE SIXTIETH CONGRESS

WASHINGTON
GOVERNMENT PRINTING OFFICE
1907

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MESSAGE.

To the Senate and House of Representatives:

No nation has greater resources than ours, and I think it can be truthfully said that the citizens of no nation possess greater energy and industrial ability. In no nation are the fundamental business conditions sounder than in ours at this very moment; and it is foolish, when such is the case, for people to hoard money instead of keeping it in sound banks; for it is such hoarding that is the immediate occasion of money stringency. Moreover, as a rule, the business of our people is conducted with honesty and probity, and this applies alike to farms and factories, to railroads and banks, to all our legitimate commercial enterprises.

In any large body of men, however, there are certain to be some who are dishonest, and if the conditions are such that these men prosper or commit their misdeeds with impunity, their example is a very evil thing for the community. Where these men are business men of great sagacity and of temperament both unscrupulous and reckless, and where the conditions are such that they act without supervision or control and at first without effective check from public opinion, they delude many innocent people into making investments or embarking in kinds of business that are really unsound. When the misdeeds of these successfully dishonest men are discovered, suffering comes not only upon them, but upon the innocent men whom they have misled. It is a painful awakening, whenever it occurs; and, naturally, when it does occur those who suffer are apt to forget that the longer it was deferred the more painful it would be. In the effort to punish the guilty it is both wise and proper to endeavor so far as possible to minimize the distress of those who have been

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misled by the guilty. Yet it is not possible to refrain because of such distress from striving to put an end to the misdeeds that are the ultimate causes of the suffering, and, as a means to this end, where possible to punish those responsible for them. There may be honest differences of opinion as to many governmental policies; but surely there can be no such differences as to the need of unflinching perseverance in the war against successful dishonesty.

In my Message to the Congress on December 5, 1905, I said:

"If the folly of man mars the general well-being, then those who are innocent of the folly will have to pay part of the penalty incurred by those who are guilty of the folly. A panic brought on by the speculative folly of part of the business community would hurt the whole business community; but such stoppage of welfare, though it might be severe, would not be lasting. In the long run, the one vital factor in the permanent prosperity of the country is the high individual character of the average American worker, the average American citizen, no matter whether his work be mental or manual, whether he be farmer or wage-worker, business man or professional man.

"In our industrial and social system the interests of all men are so closely intertwined that in the immense majority of cases a straight-dealing man, who by his efficiency, by his ingenuity and industry, benefits himself, must also benefit others. Normally, the man of great productive capacity who becomes rich by guiding the labor of many other men does so by enabling them to produce more than they could produce without his guidance; and both he and they share in the benefit, which comes also to the public at large. The superficial fact that the sharing may be unequal must never blind us to the underlying fact that there is this sharing, and that the benefit comes in some degree to each man concerned. Normally, the wageworker, the man of small means, and the average consumer, as well as the average producer, are all alike helped by making conditions such that the man of exceptional business ability receives an exceptional reward for his ability. Something can be done by legislation to help the general prosperity; but no such help of a permanently beneficial character can be given to the less able and less fortunate save as the results of a policy which shall inure to the advantage of all industrious and efficient people who act decently; and this is only another way of saying that any benefit which comes to the less able and less fortunate must of necessity come even more to the more able and more fortunate. If, therefore, the less fortunate man is moved by envy of his more fortunate brother to strike at the conditions under which they have both, though unequally, prospered, the result will assuredly be *that while damage may* come to the one struck at, it will visit

with an even heavier load the one who strikes the blow. Taken as a whole, we must all go up or go down together.

"Yet, while not merely admitting, but insisting upon this, it is also true that where there is no governmental restraint or supervision some of the exceptional men use their energies, not in ways that are for the common good, but in ways which tell against this common good. The fortunes amassed through corporate organization are now so large, and vest such power in those that wield them, as to make it a matter of necessity to give to the sovereign—that is, to the Government, which represents the people as a whole—some effective power of supervision over their corporate use. In order to insure a healthy social and industrial life, every big corporation should be held responsible by, and be accountable to, some sovereign strong enough to control its conduct. I am in no sense hostile to corporations. This is an age of combination, and any effort to prevent all combination will be not only useless, but in the end vicious, because of the contempt for law which the failure to enforce law inevitably produces. We should, moreover, recognize in cordial and ample fashion the immense good effected by corporate agencies in a country such as ours, and the wealth of intellect, energy, and fidelity devoted to their service, and therefore normally to the service of the public, by their officers and directors. The corporation has come to stay, just as the trade union has come to stay. Each can do and has done great good. Each should be favored so long as it does good. But each should be sharply checked where it acts against law and justice.

"* * * The makers of our National Constitution provided especially that the regulation of interstate commerce should come within the sphere of the General Government. The arguments in favor of their taking this stand were even then overwhelming. But they are far stronger to-day, in view of the enormous development of great business agencies, usually corporate in form. Experience has shown conclusively that it is useless to try to get any adequate regulation and supervision of these great corporations by State action. Such regulation and supervision can only be effectively exercised by a sovereign whose jurisdiction is coextensive with the field of work of the corporations—that is, by the National Government. I believe that this regulation and supervision can be obtained by the enactment of law by the Congress. * * * Our steady aim should be by legislation, cautiously and carefully undertaken, but resolutely persevered in, to assert the sovereignty of the National Government by affirmative action.

"This is only in form an innovation. In substance it is merely a restoration; for from the earliest time such regulation of industrial activities has been recognized in the action of the lawmaking bodies; and all that I propose is to meet the changed conditions in such manner as will prevent the Commonwealth abdicating the power it has always possessed, not only in this country, but also in England before and since this country became a separate nation.

"It has been a misfortune that the National laws on this subject have hitherto been of a negative or prohibitive rather than an affirmative kind, and still more that they have in part sought to prohibit what could not be effectively prohibited, and have in part in their prohibitions confounded what should be allowed and what should not be allowed. It is generally useless to try to prohibit all restraint on competition, whether this restraint be reasonable or unreasonable; and where it is not useless it is generally hurtful. * * * The successful prosecution of one device to evade the law immediately develops another device to accomplish the same purpose. What is needed is not sweeping prohibition of every arrangement, good or bad, which may tend to restrict competition, but such adequate supervision and regulation as will prevent any restriction of competition from being to the detriment of the public, as well as such supervision and regulation as will prevent other abuses in no way connected with restriction of competition."

I have called your attention in these quotations to what I have already said because I am satisfied that it is the duty of the National Government to embody in action the principles thus expressed.

No small part of the trouble that we have comes from carrying to an extreme the national virtue of self-reliance, of independence in initiative and action. It is wise to conserve this virtue and to provide for its fullest exercise, compatible with seeing that liberty does not become a liberty to wrong others. Unfortunately, this is the kind of liberty that the lack of all effective regulation inevitably breeds. The founders of the Constitution provided that the National Government should have complete and sole control of interstate commerce. There was then practically no interstate business save such as was conducted by water, and this the National Government at once proceeded to regulate in thoroughgoing and effective fashion. Conditions have now so wholly changed that the interstate commerce by water is insignificant compared with the amount that goes by land, and almost all big business concerns are now engaged in interstate commerce. As a result, it can be but partially and imperfectly controlled or regulated by the action of any one of the several States; such action inevitably tending to be either too drastic or else too lax, and in either case ineffective for purposes of justice. Only the National Government can in thoroughgoing fashion exercise the needed control. This does not mean that there should be any *extension of Federal authority*, for such authority already exists *under the Constitution in* amplest and most far-reaching form;

Interstate Commerce.

but it does mean that there should be an extension of Federal activity. This is not advocating centralization. It is merely looking facts in the face, and realizing that centralization in business has already come and can not be avoided or undone, and that the public at large can only protect itself from certain evil effects of this business centralization by providing better methods for the exercise of control through the authority already centralized in the National Government by the Constitution itself. There must be no halt in the healthy constructive course of action which this Nation has elected to pursue, and has steadily pursued, during the last six years, as shown both in the legislation of the Congress and the administration of the law by the Department of Justice. The most vital need is in connection with the railroads. As to these, in my judgment there should now be either a national incorporation act or a law licensing railway companies to engage in interstate commerce upon certain conditions. The law should be so framed as to give to the Interstate Commerce Commission power to pass upon the future issue of securities, while ample means should be provided to enable the Commission, whenever in its judgment it is necessary, to make a physical valuation of any railroad. As I stated in my Message to the Congress a year ago, railroads should be given power to enter into agreements, subject to these agreements being made public in minute detail and to the consent of the Interstate Commerce Commission being first obtained. Until the National Government assumes proper control of interstate commerce, in the exercise of the authority it already possesses, it will be impossible either to give to or to get from the railroads full justice. The railroads and all other great corporations will do well to recognize that this control must come; the only question is as to what governmental body can most wisely exercise it. The courts will determine the limits within which the Federal authority can exercise it, and there will still remain ample work within each State for the railway commission of that State; and the National Interstate Commerce Commission will work in harmony with the several State commissions, each within its own province, to achieve the desired end.

Sherman Antitrust Law.

Moreover, in my judgment there should be additional legislation looking to the proper control of the great business concerns engaged in interstate business, this control to be exercised for their own benefit and prosperity no less than for the protection of investors and of the general public. As I have repeatedly said in Messages to the Congress and elsewhere, experience has definitely

shown not merely the unwisdom but the futility of endeavoring to put a stop to all business combinations. Modern industrial conditions are such that combination is not only necessary but inevitable. It is so in the world of business just as it is so in the world of labor, and it is as idle to desire to put an end to all corporations, to all big combinations of capital, as to desire to put an end to combinations of labor. Corporation and labor union alike have come to stay. Each if properly managed is a source of good and not evil. Whenever in either there is evil, it should be promptly held to account; but it should receive hearty encouragement so long as it is properly managed. It is profoundly immoral to put or keep on the statute books a law, nominally in the interest of public morality, that really puts a premium upon public immorality, by undertaking to forbid honest men from doing what must be done under modern business conditions, so that the law itself provides that its own infraction must be the condition precedent upon business success. To aim at the accomplishment of too much usually means the accomplishment of too little, and often the doing of positive damage. In my Message to the Congress a year ago, in speaking of the antitrust laws, I said:

"The actual working of our laws has shown that the effort to prohibit all combination, good or bad, is noxious where it is not ineffective. Combination of capital, like combination of labor, is a necessary element in our present industrial system. It is not possible completely to prevent it; and if it were possible, such complete prevention would do damage to the body politic. What we need is not vainly to try to prevent all combination, but to secure such rigorous and adequate control and supervision of the combinations as to prevent their injuring the public, or existing in such forms as inevitably to threaten injury. * * * It is unfortunate that our present laws should forbid all combinations instead of sharply discriminating between those combinations which do good and those combinations which do evil. * * * Often railroads would like to combine for the purpose of preventing a big shipper from maintaining improper advantages at the expense of small shippers and of the general public. Such a combination, instead of being forbidden by law, should be favored. * * * It is a public evil to have on the statute books a law incapable of full enforcement, because both judges and juries realize that its full enforcement would destroy the business of the country; for the result is to make decent men violators of the law against their will, and to put a premium on the behavior of the willful wrongdoers. Such a result in turn tends to throw the decent man and the willful wrongdoer into close association, and in the end to drag *down the former to the latter's* level; for the man who becomes a

lawbreaker in one way unhappily tends to lose all respect for law and to be willing to break it in many ways. No more scathing condemnation could be visited upon a law than is contained in the words of the Interstate Commerce Commission when, in commenting upon the fact that the numerous joint traffic associations do technically violate the law, they say: 'The decision of the United States Supreme Court in the Trans-Missouri case and the Joint Traffic Association case has produced no practical effect upon the railway operations of the country. Such associations, in fact, exist now as they did before these decisions, and with the same general effect. In justice to all parties, we ought probably to add that it is difficult to see how our interstate railways could be operated with due regard to the interest of the shipper and the railway without concerted action of the kind afforded through these associations.'

"This means that the law as construed by the Supreme Court is such that the business of the country can not be conducted without breaking it."

As I have elsewhere said:

"All this is substantially what I have said over and over again. Surely it ought not to be necessary to say that it in no shape or way represents any hostility to corporations as such. On the contrary, it means a frank recognition of the fact that combinations of capital, like combinations of labor, are a natural result of modern conditions and of our National development. As far as in my ability lies my endeavor is and will be to prevent abuse of power by either and to favor both so long as they do well. The aim of the National Government is quite as much to favor and protect honest corporations, honest business men of wealth, as to bring to justice those individuals and corporations representing dishonest methods. Most certainly there will be no relaxation by the Government authorities in the effort to get at any great railroad wrecker—any man who by clever swindling devices robs investors, oppresses wage-workers, and does injustice to the general public. But any such move as this is in the interest of honest railway operators, of honest corporations, and of those who, when they invest their small savings in stocks and bonds, wish to be assured that these will represent money honestly expended for legitimate business purposes. To confer upon the National Government the power for which I ask would be a check upon overcapitalization and upon the clever gamblers who benefit by overcapitalization. But it alone would mean an increase in the value, an increase in the safety of the stocks and bonds of law-abiding, honestly managed railroads, and would render it far easier to market their securities. I believe in proper publicity. There has been complaint of some of the investigations recently carried on, but those who complain should put the blame *where it belongs*—upon the misdeeds which are done in

darkness and not upon the investigations which brought them to light. The Administration is responsible for turning on the light, but it is not responsible for what the light showed. I ask for full power to be given the Federal Government, because no single State can by legislation effectually cope with these powerful corporations engaged in interstate commerce, and, while doing them full justice, exact from them in return full justice to others. The conditions of railroad activity, the conditions of our immense interstate commerce, are such as to make the Central Government alone competent to exercise full supervision and control.

"The grave abuses in individual cases of railroad management in the past represent wrongs not merely to the general public, but, above all, wrongs to fair-dealing and honest corporations and men of wealth, because they excite a popular anger and distrust which from the very nature of the case tends to include in the sweep of its resentment good and bad alike. From the standpoint of the public I can not too earnestly say that as soon as the natural and proper resentment aroused by these abuses becomes indiscriminate and unthinking, it also becomes not merely unwise and unfair, but calculated to defeat the very ends which those feeling it have in view. There has been plenty of dishonest work by corporations in the past. There will not be the slightest let-up in the effort to hunt down and punish every dishonest man. But the bulk of our business is honestly done. In the natural indignation the people feel over the dishonesty, it is all essential that they should not lose their heads and get drawn into an indiscriminate raid upon all corporations, all people of wealth, whether they do well or ill. Out of any such wild movement good will not come, can not come, and never has come. On the contrary, the surest way to invite reaction is to follow the lead of either demagogue or visionary in a sweeping assault upon property values and upon public confidence, which would work incalculable damage in the business world and would produce such distrust of the agitators that in the revulsion the distrust would extend to honest men who, in sincere and sane fashion, are trying to remedy the evils."

The antitrust law should not be repealed; but it should be made both more efficient and more in harmony with actual conditions. It should be so amended as to forbid only the kind of combination which does harm to the general public, such amendment to be accompanied by, or to be an incident of, a grant of supervisory power to the Government over these big concerns engaged in interstate business. This should be accompanied by provision for the compulsory publication of accounts and the subjection of books and papers to the inspection of the Government officials. A

beginning has already been made for such supervision by the establishment of the Bureau of Corporations.

The antitrust law should not prohibit combinations that do no injustice to the public, still less those the existence of which is on the whole of benefit to the public. But even if this feature of the law were abolished, there would remain as an equally objectionable feature the difficulty and delay now incident to its enforcement. The Government must now submit to irksome and repeated delay before obtaining a final decision of the courts upon proceedings instituted, and even a favorable decree may mean an empty victory. Moreover, to attempt to control these corporations by lawsuits means to impose upon both the Department of Justice and the courts an impossible burden; it is not feasible to carry on more than a limited number of such suits. Such a law to be really effective must of course be administered by an executive body, and not merely by means of lawsuits. The design should be to prevent the abuses incident to the creation of unhealthy and improper combinations, instead of waiting until they are in existence and then attempting to destroy them by civil or criminal proceedings.

A combination should not be tolerated if it abuse the power acquired by combination to the public detriment. No corporation or association of any kind should be permitted to engage in foreign or interstate commerce that is formed for the purpose of, or whose operations create, a monopoly or general control of the production, sale, or distribution of any one or more of the prime necessities of life or articles of general use and necessity. Such combinations are against public policy; they violate the common law; the doors of the courts are closed to those who are parties to them, and I believe the Congress can close the channels of interstate commerce against them for its protection. The law should make its prohibitions and permissions as clear and definite as possible, leaving the least possible room for arbitrary action, or allegation of such action, on the part of the Executive, or of divergent interpretations by the courts. Among the points to be aimed at should be the prohibition of unhealthy competition, such as by rendering service at an actual loss for the purpose of crushing out competition, the prevention of inflation of capital, and the prohibition of a corporation's making exclusive trade with itself a condition of having any trade with itself. Reason-

able agreements between, or combinations of, corporations should be permitted, provided they are first submitted to and approved by some appropriate Government body.

The Congress has the power to charter corporations to engage in interstate and foreign commerce, and a general law can be enacted under the provisions of which existing corporations could take out Federal charters and new Federal corporations could be created. An essential provision of such a law should be a method of predetermining by some Federal board or commission whether the applicant for a Federal charter was an association or combination within the restrictions of the Federal law. Provision should also be made for complete publicity in all matters affecting the public and complete protection to the investing public and the shareholders in the matter of issuing corporate securities. If an incorporation law is not deemed advisable, a license act for big interstate corporations might be enacted; or a combination of the two might be tried. The supervision established might be analogous to that now exercised over national banks. At least, the antitrust act should be supplemented by specific prohibitions of the methods which experience has shown have been of most service in enabling monopolistic combinations to crush out competition. The real owners of a corporation should be compelled to do business in their own name. The right to hold stock in other corporations should hereafter be denied to interstate corporations, unless on approval by the proper Government officials, and a prerequisite to such approval should be the listing with the Government of all owners and stockholders, both by the corporation owning such stock and by the corporation in which such stock is owned.

To confer upon the National Government, in connection with the amendment I advocate in the antitrust law, power of supervision over big business concerns engaged in interstate commerce, would benefit them as it has benefited the national banks. In the recent business crisis it is noteworthy that the institutions which failed were institutions which were not under the supervision and control of the National Government. Those which were under National control stood the test.

National control of the kind above advocated would be to the benefit of every well-managed railway. From the standpoint of the public there is need for additional tracks, additional terminals, and improvements in the actual handling of the railroads, and all

this as rapidly as possible. Ample, safe, and speedy transportation facilities are even more necessary than cheap transportation. Therefore, there is need for the investment of money which will provide for all these things while at the same time securing as far as is possible better wages and shorter hours for their employees. Therefore, while there must be just and reasonable regulation of rates, we should be the first to protest against any arbitrary and unthinking movement to cut them down without the fullest and most careful consideration of all interests concerned and of the actual needs of the situation. Only a special body of men acting for the National Government under authority conferred upon it by the Congress is competent to pass judgment on such a matter.

Those who fear, from any reason, the extension of Federal activity will do well to study the history not only of the national banking act but of the pure-food law, and notably the meat inspection law recently enacted. The pure-food law was opposed so violently that its passage was delayed for a decade; yet it has worked unmixed and immediate good. The meat inspection law was even more violently assailed; and the same men who now denounce the attitude of the National Government in seeking to oversee and control the workings of interstate common carriers and business concerns, then asserted that we were "discrediting and ruining a great American industry." Two years have not elapsed, and already it has become evident that the great benefit the law confers upon the public is accompanied by an equal benefit to the reputable packing establishments. The latter are better off under the law than they were without it. The benefit to interstate common carriers and business concerns from the legislation I advocate would be equally marked.

Pure-Food Law.

Incidentally, in the passage of the pure-food law the action of the various State food and dairy commissioners showed in striking fashion how much good for the whole people results from the hearty cooperation of the Federal and State officials in securing a given reform. It is primarily to the action of these State commissioners that we owe the enactment of this law; for they aroused the people, first to demand the enactment and enforcement of State laws on the subject, and then the enactment of the Federal law, without which the State laws were largely ineffective. There must be the closest cooperation between the National and State governments in administering these laws.

In my Message to the Congress a year ago I spoke as follows of the currency:

"I especially call your attention to the condition of our currency laws. The national-bank act has ably served a great purpose in aiding the enormous business development of the country, and within ten years there has been an increase in circulation per capita from $21.41 to $33.08. For several years evidence has been accumulating that additional legislation is needed. The recurrence of each crop season emphasizes the defects of the present laws. There must soon be a revision of them, because to leave them as they are means to incur liability of business disaster. Since your body adjourned there has been a fluctuation in the interest on call money from 2 per cent to 30 per cent, and the fluctuation was even greater during the preceding six months. The Secretary of the Treasury had to step in and by wise action put a stop to the most violent period of oscillation. Even worse than such fluctuation is the advance in commercial rates and the uncertainty felt in the sufficiency of credit even at high rates. All commercial interests suffer during each crop period. Excessive rates for call money in New York attract money from the interior banks into the speculative field. This depletes the fund that would otherwise be available for commercial uses, and commercial borrowers are forced to pay abnormal rates, so that each fall a tax, in the shape of increased interest charges, is placed on the whole commerce of the country.

Currency.

"The mere statement of these facts shows that our present system is seriously defective. There is need of a change. Unfortunately, however, many of the proposed changes must be ruled from consideration because they are complicated, are not easy of comprehension, and tend to disturb existing rights and interests. We must also rule out any plan which would materially impair the value of the United States 2 per cent bonds now pledged to secure circulation, the issue of which was made under conditions peculiarly creditable to the Treasury. I do not press any especial plan. Various plans have recently been proposed by expert committees of bankers. Among the plans which are possibly feasible and which certainly should receive your consideration is that repeatedly brought to your attention by the present Secretary of the Treasury, the essential features of which have been approved by many prominent bankers and business men. According to this plan national banks should be permitted to issue a specified proportion of their capital in notes of a given kind, the issue to be taxed at so high a rate as to drive the notes back when not wanted in legitimate trade. This plan would not permit the issue of currency to give banks additional profits, but to meet the emergency presented by times of stringency.

"*I do not say* that this is the right system. I only advance it *to emphasize my belief* that there is need for the adoption of

some system which shall be automatic and open to all sound banks, so as to avoid all possibility of discrimination and favoritism. Such a plan would tend to prevent the spasms of high money and speculation which now obtain in the New York market; for at present there is too much currency at certain seasons of the year, and its accumulation at New York tempts bankers to lend it at low rates for speculative purposes; whereas at other times when the crops are being moved there is urgent need for a large but temporary increase in the currency supply. It must never be forgotten that this question concerns business men generally quite as much as bankers; especially is this true of stockmen, farmers, and business men in the West; for at present at certain seasons of the year the difference in interest rates between the East and the West is from 6 to 10 per cent, whereas in Canada the corresponding difference is but 2 per cent. Any plan must, of course, guard the interests of western and southern bankers as carefully as it guards the interests of New York or Chicago bankers, and must be drawn from the standpoints of the farmer and the merchant no less than from the standpoints of the city banker and the country banker."

I again urge on the Congress the need of immediate attention to this matter. We need a greater elasticity in our currency; provided, of course, that we recognize the even greater need of a safe and secure currency. There must always be the most rigid examination by the National authorities. Provision should be made for an emergency currency. The emergency issue should, of course, be made with an effective guaranty, and upon conditions carefully prescribed by the Government. Such emergency issue must be based on adequate securities approved by the Government, and must be issued under a heavy tax. This would permit currency being issued when the demand for it was urgent, while securing its retirement as the demand fell off. It is worth investigating to determine whether officers and directors of national banks should ever be allowed to loan to themselves. Trust companies should be subject to the same supervision as banks; legislation to this effect should be enacted for the District of Columbia and the Territories.

Yet we must also remember that even the wisest legislation on the subject can only accomplish a certain amount. No legislation can by any possibility guarantee the business community against the results of speculative folly any more than it can guarantee an individual against the results of his extravagance. When an individual mortgages his house to buy an automobile he invites disaster; and when wealthy men, or men who pose as *such, or are* unscrupulously or foolishly eager to become such,

indulge in reckless speculation—especially if it is accompanied by dishonesty—they jeopardize not only their own future but the future of all their innocent fellow-citizens, for they expose the whole business community to panic and distress.

The income account of the Nation is in a most satisfactory condition. For the six fiscal years ending with the 1st of July last, the total expenditures and revenues of the National Government, exclusive of the postal revenues and expenditures, were, in round numbers, revenues, $3,465,000,000, and expenditures, $3,275,000,000. The net excess of income over expenditures, including in the latter the fifty millions expended for the Panama Canal, was one hundred and ninety million dollars for the six years, an average of about thirty-one millions a year. This represents an approximation between income and outgo which it would be hard to improve. The satisfactory working of the present tariff law has been chiefly responsible for this excellent showing. Nevertheless, there is an evident and constantly growing feeling among our people that the time is rapidly approaching when our system of revenue legislation must be revised.

Revenue.

This country is definitely committed to the protective system and any effort to uproot it could not but cause widespread industrial disaster. In other words, the principle of the present tariff law could not with wisdom be changed. But in a country of such phenomenal growth as ours it is probably well that every dozen years or so the tariff laws should be carefully scrutinized so as to see that no excessive or improper benefits are conferred thereby, that proper revenue is provided, and that our foreign trade is encouraged. There must always be as a minimum a tariff which will not only allow for the collection of an ample revenue but which will at least make good the difference in cost of production here and abroad; that is, the difference in the labor cost here and abroad; for the well-being of the wage-worker must ever be a cardinal point of American policy. The question should be approached purely from a business standpoint; both the time and the manner of the change being such as to arouse the minimum of agitation and disturbance in the business world, and to give the least play for selfish and factional motives. The sole consideration should be to see that the sum total of changes represents the public good. This means that the subject can not with wisdom be dealt with in the *year preceding a* Presidential election, because as a matter of fact

The Tariff.

experience has conclusively shown that at such a time it is impossible to get men to treat it from the standpoint of the public good. In my judgment the wise time to deal with the matter is immediately after such election.

When our tax laws are revised the question of an income tax and an inheritance tax should receive the careful attention of our legislators. In my judgment both of these taxes should be part of our system of Federal taxation. I speak diffidently about the income tax because one scheme for an income tax was declared unconstitutional by the Supreme Court; while in addition it is a difficult tax to administer in its practical working, and great care would have to be exercised to see that it was not evaded by the very men whom it was most desirable to have taxed, for if so evaded it would, of course, be worse than no tax at all; as the least desirable of all taxes is the tax which bears heavily upon the honest as compared with the dishonest man. Nevertheless, a graduated income tax of the proper type would be a desirable feature of Federal taxation, and it is to be hoped that one may be devised which the Supreme Court will declare constitutional. The inheritance tax, however, is both a far better method of taxation, and far more important for the purpose of having the fortunes of the country bear in proportion to their increase in size a corresponding increase and burden of taxation. The Government has the absolute right to decide as to the terms upon which a man shall receive a bequest or devise from another, and this point in the devolution of property is especially appropriate for the imposition of a tax. Laws imposing such taxes have repeatedly been placed upon the National statute books and as repeatedly declared constitutional by the courts; and these laws contained the progressive principle, that is, after a certain amount is reached the bequest or gift, in life or death, is increasingly burdened and the rate of taxation is increased in proportion to the remoteness of blood of the man receiving the bequest. These principles are recognized already in the leading civilized nations of the world. In Great Britain all the estates worth $5,000 or less are practically exempt from death duties, while the increase is such that when an estate exceeds five millions of dollars in value and passes to a distant kinsman or stranger in blood the Government receives all told an amount equivalent to nearly a fifth of the whole estate. In France so much of an inheritance as exceeds $10,000,000 pays *over a fifth* to the State if it passes to a distant relative.

Income Tax and Inheritance Tax.

The German law is especially interesting to us because it makes the inheritance tax an imperial measure while allotting to the individual States of the Empire a portion of the proceeds and permitting them to impose taxes in addition to those imposed by the Imperial Government. Small inheritances are exempt, but the tax is so sharply progressive that when the inheritance is still not very large, provided it is not an agricultural or a forest land, it is taxed at the rate of 25 per cent if it goes to distant relatives. There is no reason why in the United States the National Government should not impose inheritance taxes in addition to those imposed by the States, and when we last had an inheritance tax about one-half of the States levied such taxes concurrently with the National Government, making a combined maximum rate, in some cases as high as 25 per cent. The French law has one feature which is to be heartily commended. The progressive principle is so applied that each higher rate is imposed only on the excess above the amount subject to the next lower rate; so that each increase of rate will apply only to a certain amount above a certain maximum. The tax should if possible be made to bear more heavily upon those residing without the country than within it. A heavy progressive tax upon a very large fortune is in no way such a tax upon thrift or industry as a like tax would be on a small fortune. No advantage comes either to the country as a whole or to the individuals inheriting the money by permitting the transmission in their entirety of the enormous fortunes which would be affected by such a tax; and as an incident to its function of revenue raising, such a tax would help to preserve a measurable equality of opportunity for the people of the generations growing to manhood. We have not the slightest sympathy with that socialistic idea which would try to put laziness, thriftlessness and inefficiency on a par with industry, thrift and efficiency; which would strive to break up not merely private property, but what is far more important, the home, the chief prop upon which our whole civilization stands. Such a theory, if ever adopted, would mean the ruin of the entire country—a ruin which would bear heaviest upon the weakest, upon those least able to shift for themselves. But proposals for legislation such as this herein advocated are directly opposed to this class of socialistic theories. Our aim is to recognize what Lincoln pointed *out: The fact* that there are some respects in which men are

obviously not equal; but also to insist that there should be an equality of self-respect and of mutual respect, an equality of rights before the law, and at least an approximate equality in the conditions under which each man obtains the chance to show the stuff that is in him when compared to his fellows.

A few years ago there was loud complaint that the law could not be invoked against wealthy offenders. There is no such complaint now. The course of the Department of Justice during the last few years has been such as to make it evident that no man stands above the law, that no corporation is so wealthy that it can not be held to account. The Department of Justice has been as prompt to proceed against the wealthiest malefactor whose crime was one of greed and cunning as to proceed against the agitator who incites to brutal violence. Everything that can be done under the existing law, and with the existing state of public opinion, which so profoundly influences both the courts and juries, has been done. But the laws themselves need strengthening in more than one important point; they should be made more definite, so that no honest man can be led unwittingly to break them, and so that the real wrongdoer can be readily punished.

Enforcement of the Law.

Moreover, there must be the public opinion back of the laws or the laws themselves will be of no avail. At present, while the average juryman undoubtedly wishes to see trusts broken up, and is quite ready to fine the corporation itself, he is very reluctant to find the facts proven beyond a reasonable doubt when it comes to sending to jail a member of the business community for indulging in practices which are profoundly unhealthy, but which, unfortunately, the business community has grown to recognize as well-nigh normal. Both the present condition of the law and the present temper of juries render it a task of extreme difficulty to get at the real wrongdoer in any such case, especially by imprisonment. Yet it is from every standpoint far preferable to punish the prime offender by imprisonment rather than to fine the corporation, with the attendant damage to stockholders.

The two great evils in the execution of our criminal laws to-day are sentimentality and technicality. For the latter the remedy must come from the hands of the legislatures, the courts, and the lawyers. The other must depend for its cure upon the gradual growth of a sound public opinion which shall insist that regard for the law and the demands of reason shall control all other

influences and emotions in the jury box. Both of these evils must be removed or public discontent with the criminal law will continue.

Instances of abuse in the granting of injunctions in labor disputes continue to occur, and the resentment in the minds of those who feel that their rights are being invaded and their liberty of action and of speech unwarrantably restrained continues likewise to grow. Much of the attack on the use of the process of injunction is wholly without warrant; but I am constrained to express the belief that for some of it there is warrant. This question is becoming more and more one of prime importance, and unless the courts will themselves deal with it in effective manner, it is certain ultimately to demand some form of legislative action. It would be most unfortunate for our social welfare if we should permit many honest and law-abiding citizens to feel that they had just cause for regarding our courts with hostility. I earnestly commend to the attention of the Congress this matter, so that some way may be devised which will limit the abuse of injunctions and protect those rights which from time to time it unwarrantably invades. Moreover, discontent is often expressed with the use of the process of injunction by the courts, not only in labor disputes, but where State laws are concerned. I refrain from discussion of this question as I am informed that it will soon receive the consideration of the Supreme Court.

Injunctions.

The Federal courts must of course decide ultimately what are the respective spheres of State and Nation in connection with any law, State or National, and they must decide definitely and finally in matters affecting individual citizens, not only as to the rights and wrongs of labor but as to the rights and wrongs of capital; and the National Government must always see that the decision of the court is put into effect. The process of injunction is an essential adjunct of the court's doing its work well; and as preventive measures are always better than remedial, the wise use of this process is from every standpoint commendable. But where it is recklessly or unnecessarily used, the abuse should be censured, above all by the very men who are properly anxious to prevent any effort to shear the courts of this necessary power. The court's decision must be final; the protest is only against the conduct of individual judges in needlessly anticipating such final decision, or in the tyrannical use of what is nominally a

temporary injunction to accomplish what is in fact a permanent decision.

The loss of life and limb from railroad accidents in this country has become appalling. It is a subject of which the National Government should take supervision. It might be well to begin by providing for a Federal inspection of interstate railroads somewhat along the lines of Federal inspection of steamboats, although not going so far; perhaps at first all that it would be necessary to have would be some officer whose duty would be to investigate all accidents on interstate railroads and report in detail the causes thereof. Such an officer should make it his business to get into close touch with railroad operating men so as to become thoroughly familiar with every side of the question, the idea being to work along the lines of the present steamboat inspection law.

Accidents.

The National Government should be a model employer. It should demand the highest quality of service from each of its employees and it should care for all of them properly in return. Congress should adopt legislation providing limited but definite compensation for accidents to all workmen within the scope of the Federal power, including employees of navy yards and arsenals. In other words, a model employers' liability act, far-reaching and thoroughgoing, should be enacted which should apply to all positions, public and private, over which the National Government has jurisdiction. The number of accidents to wage-workers, including those that are preventable and those that are not, has become appalling in the mechanical, manufacturing, and transportation operations of the day. It works grim hardship to the ordinary wage-worker and his family to have the effect of such an accident fall solely upon him; and, on the other hand, there are whole classes of attorneys who exist only by inciting men who may or may not have been wronged to undertake suits for negligence. As a matter of fact a suit for negligence is generally an inadequate remedy for the person injured, while it often causes altogether disproportionate annoyance to the employer. The law should be made such that the payment for accidents by the employer would be automatic instead of being a matter for lawsuits. Workmen should receive certain and definite compensation for all accidents in industry irrespective of negligence.

Employers' Liability.

The employer is the agent of the public and on his own responsibility and for his own profit he serves the public. When he starts in motion agencies which create risks for others, he should take all the ordinary and extraordinary risks involved; and the risk he thus at the moment assumes will ultimately be assumed, as it ought to be, by the general public. Only in this way can the shock of the accident be diffused, instead of falling upon the man or woman least able to bear it, as is now the case. The community at large should share the burdens as well as the benefits of industry. By the proposed law, employers would gain a desirable certainty of obligation and get rid of litigation to determine it, while the workman and his family would be relieved from a crushing load. With such a policy would come increased care, and accidents would be reduced in number. The National laws providing for employers' liability on railroads engaged in interstate commerce and for safety appliances, as well as for diminishing the hours any employee of a railroad should be permitted to work, should all be strengthened wherever in actual practice they have shown weakness; they should be kept on the statute books in thoroughgoing form.

The constitutionality of the employers' liability act passed by the preceding Congress has been carried before the courts. In two jurisdictions the law has been declared unconstitutional, and in three jurisdictions its constitutionality has been affirmed. The question has been carried to the Supreme Court, the case has been heard by that tribunal, and a decision is expected at an early date. In the event that the court should affirm the constitutionality of the act, I urge further legislation along the lines advocated in my Message to the preceding Congress. The practice of putting the entire burden of loss to life or limb upon the victim or the victim's family is a form of social injustice in which the United States stands in unenviable prominence. In both our Federal and our State legislation we have, with few exceptions, scarcely gone farther than the repeal of the fellow-servant principle of the old law of liability, and in some of our States even this slight modification of a completely outgrown principle has not yet been secured. The legislation of the rest of the industrial world stands out in striking contrast to our backwardness in this respect. Since 1895 practically every country of Europe, together with Great Britain, New Zealand, Australia, British Columbia, and the Cape of Good Hope has enacted legislation embodying in one form or another the complete recognition of the principle which places

upon the employer the entire trade risk in the various lines of industry. I urge upon the Congress the enactment of a law which will at the same time bring Federal legislation up to the standard already established by all the European countries, and which will serve as a stimulus to the various States to perfect their legislation in this regard.

The Congress should consider the extension of the eight-hour law. The constitutionality of the present law has recently been called into question, and the Supreme Court has decided that the existing legislation is unquestionably within the powers of the Congress. The principle of the eight-hour day should as rapidly and as far as practicable be extended to the entire work carried on by the Government; and the present law should be amended to embrace contracts on those public works which the present wording of the act has been construed to exclude. The general introduction of the eight-hour day should be the goal toward which we should steadily tend, and the Government should set the example in this respect.

Eight-Hour Law.

Strikes and lockouts, with their attendant loss and suffering, continue to increase. For the five years ending December 31, 1905, the number of strikes was greater than those in any previous ten years and was double the number in the preceding five years. These figures indicate the increasing need of providing some machinery to deal with this class of disturbances in the interest alike of the employer, the employee, and the general public. I renew my previous recommendation that the Congress favorably consider the matter of creating the machinery for compulsory investigation of such industrial controversies as are of sufficient magnitude and of sufficient concern to the people of the country as a whole to warrant the Federal Government in taking action.

Compulsory Investigation of Industrial Disputes.

The need for some provision for such investigation was forcibly illustrated during the past summer. A strike of telegraph operators seriously interfered with telegraphic communication, causing great damage to business interests and serious inconvenience to the general public. Appeals were made to me from many parts of the country, from city councils, from boards of trade, from chambers of commerce, and from labor organizations, urging that steps be taken to terminate the strike. Everything that could with any propriety be done by a representative of the Government

was done, without avail, and for weeks the public stood by and suffered without recourse of any kind. Had the machinery existed and had there been authority for compulsory investigation of the dispute, the public would have been placed in possession of the merits of the controversy, and public opinion would probably have brought about a prompt adjustment.

Each successive step creating machinery for the adjustment of labor difficulties must be taken with caution, but we should endeavor to make progress in this direction.

The provisions of the act of 1898 creating the chairman of the Interstate Commerce Commission and the Commissioner of Labor a board of mediation in controversies between interstate railroads and their employees has, for the first time, been subjected to serious tests within the past year, and the wisdom of the experiment has been fully demonstrated. The creation of a board for compulsory investigation in cases where mediation fails and arbitration is rejected is the next logical step in a progressive program.

Capital and Labor.

It is certain that for some time to come there will be a constant increase absolutely, and perhaps relatively, of those among our citizens who dwell in cities or towns of some size and who work for wages. This means that there will be an ever-increasing need to consider the problems inseparable from a great industrial civilization. Where an immense and complex business, especially in those branches relating to manufacture and transportation, is transacted by a large number of capitalists who employ a very much larger number of wage-earners, the former tend more and more to combine into corporations and the latter into unions. The relations of the capitalist and wage-worker to one another, and of each to the general public, are not always easy to adjust; and to put them and keep them on a satisfactory basis is one of the most important and one of the most delicate tasks before our whole civilization. Much of the work for the accomplishment of this end must be done by the individuals concerned themselves, whether singly or in combination; and the one fundamental fact that must never be lost track of is that the character of the average man, whether he be a man of means or a man who works with his hands, is the most important factor in solving the problem aright. But it is almost equally important to remember that without good laws it is also *impossible to* reach the proper solution. It is idle to hold that *without good laws evils* such as child labor, as the over-working of

women, as the failure to protect employees from loss of life or limb, can be effectively reached, any more than the evils of rebates and stock-watering can be reached without good laws. To fail to stop these practices by legislation means to force honest men into them, because otherwise the dishonest who surely will take advantage of them will have everything their own way. If the States will correct these evils, well and good; but the Nation must stand ready to aid them.

No question growing out of our rapid and complex industrial development is more important than that of the employment of women and children. The presence of women in industry reacts with extreme directness upon the character of the home and upon family life, and the conditions surrounding the employment of children bear a vital relation to our future citizenship. Our legislation in those areas under the control of the Congress is very much behind the legislation of our more progressive States. A thorough and comprehensive measure should be adopted at this session of the Congress relating to the employment of women and children in the District of Columbia and the Territories. The investigation into the condition of women and children wage-earners recently authorized and directed by the Congress is now being carried on in the various States, and I recommend that the appropriation made last year for beginning this work be renewed, in order that we may have the thorough and comprehensive investigation which the subject demands. The National Government has as an ultimate resort for control of child labor the use of the interstate commerce clause to prevent the products of child labor from entering into interstate commerce. But before using this it ought certainly to enact model laws on the subject for the Territories under its own immediate control.

There is one fundamental proposition which can be laid down as regards all these matters, namely: While honesty by itself will not solve the problem, yet the insistence upon honesty—not merely technical honesty, but honesty in purpose and spirit—is an essential element in arriving at a right conclusion. Vice in its cruder and more archaic forms shocks everybody; but there is very urgent need that public opinion should be just as severe in condemnation of the vice which hides itself behind class or professional loyalty, or which denies that it is vice if it can escape conviction in the courts. The public and the representatives of the public, the high officials, whether on the bench or in executive or legislative positions, need to remember that often the most

dangerous criminals, so far as the life of the Nation is concerned, are not those who commit the crimes known to and condemned by the popular conscience for centuries, but those who commit crimes only rendered possible by the complex conditions of our modern industrial life. It makes not a particle of difference whether these crimes are committed by a capitalist or by a laborer, by a leading banker or manufacturer or railroad man, or by a leading representative of a labor union. Swindling in stocks, corrupting legislatures, making fortunes by the inflation of securities, by wrecking railroads, by destroying competitors through rebates—these forms of wrongdoing in the capitalist, are far more infamous than any ordinary form of embezzlement or forgery; yet it is a matter of extreme difficulty to secure the punishment of the man most guilty of them, most responsible for them. The business man who condones such conduct stands on a level with the labor man who deliberately supports a corrupt demagogue and agitator, whether head of a union or head of some municipality, because he is said to have "stood by the union." The members of the business community, the educators, or clergymen, who condone and encourage the first kind of wrongdoing, are no more dangerous to the community, but are morally even worse, than the labor men who are guilty of the second type of wrongdoing, because less is to be pardoned those who have no such excuse as is furnished either by ignorance or by dire need.

When the Department of Agriculture was founded there was much sneering as to its usefulness. No Department of the Government, however, has more emphatically vindicated its usefulness, and none save the Post-Office Department comes so continually and intimately into touch with the people. The two citizens whose welfare is in the aggregate most vital to the welfare of the Nation, and therefore to the welfare of all other citizens, are the wage-worker who does manual labor and the tiller of the soil, the farmer. There are, of course, kinds of labor where the work must be purely mental, and there are other kinds of labor where, under existing conditions, very little demand indeed is made upon the mind, though I am glad to say that the proportion of men engaged in this kind of work is diminishing. But in any community with the solid, healthy qualities which make up a really great nation the bulk of the people should do

Farmers and Wage-Workers.

work which calls for the exercise of both body and mind. Progress can not permanently exist in the abandonment of physical labor, but in the development of physical labor, so that it shall represent more and more the work of the trained mind in the trained body. Our school system is gravely defective in so far as it puts a premium upon mere literary training and tends therefore to train the boy away from the farm and the workshop. Nothing is more needed than the best type of industrial school, the school for mechanical industries in the city, the school for practically teaching agriculture in the country. The calling of the skilled tiller of the soil, the calling of the skilled mechanic, should alike be recognized as professions, just as emphatically as the callings of lawyer, doctor, merchant, or clerk. The schools should recognize this fact and it should equally be recognized in popular opinion. The young man who has the farsightedness and courage to recognize it and to get over the idea that it makes a difference whether what he earns is called salary or wages, and who refuses to enter the crowded field of the so-called professions, and takes to constructive industry instead, is reasonably sure of an ample reward in earnings, in health, in opportunity to marry early, and to establish a home with a fair amount of freedom from worry. It should be one of our prime objects to put both the farmer and the mechanic on a higher plane of efficiency and reward, so as to increase their effectiveness in the economic world, and therefore the dignity, the remuneration, and the power of their positions in the social world.

No growth of cities, no growth of wealth, can make up for any loss in either the number or the character of the farming population. We of the United States should realize this above almost all other peoples. We began our existence as a nation of farmers, and in every great crisis of the past a peculiar dependence has had to be placed upon the farming population; and this dependence has hitherto been justified. But it can not be justified in the future if agriculture is permitted to sink in the scale as compared with other employments. We can not afford to lose that preeminently typical American, the farmer who owns his own medium-sized farm. To have his place taken by either a class of small peasant proprietors, or by a class of great landlords with tenant-farmed estates would be a veritable calamity. The growth of our cities is a good thing but only in so far as it does

not mean a growth at the expense of the country farmer. We must welcome the rise of physical sciences in their application to agricultural practices, and we must do all we can to render country conditions more easy and pleasant. There are forces which now tend to bring about both these results, but they are, as yet, in their infancy. The National Government through the Department of Agriculture should do all it can by joining with the State governments and with independent associations of farmers to encourage the growth in the open farming country of such institutional and social movements as will meet the demand of the best type of farmers, both for the improvement of their farms and for the betterment of the life itself. The Department of Agriculture has in many places, perhaps especially in certain districts of the South, accomplished an extraordinary amount by cooperating with and teaching the farmers through their associations, on their own soil, how to increase their income by managing their farms better than they were hitherto managed. The farmer must not lose his independence, his initiative, his rugged self-reliance, yet he must learn to work in the heartiest cooperation with his fellows, exactly as the business man has learned to work; and he must prepare to use to constantly better advantage the knowledge that can be obtained from agricultural colleges, while he must insist upon a practical curriculum in the schools in which his children are taught. The Department of Agriculture and the Department of Commerce and Labor both deal with the fundamental needs of our people in the production of raw material and its manufacture and distribution, and, therefore, with the welfare of those who produce it in the raw state, and of those who manufacture and distribute it. The Department of Commerce and Labor has but recently been founded but has already justified its existence; while the Department of Agriculture yields to no other in the Government in the practical benefits which it produces in proportion to the public money expended. It must continue in the future to deal with growing crops as it has dealt in the past, but it must still further extend its field of usefulness hereafter by dealing with live men, through a far-reaching study and treatment of the problems of farm life alike from the industrial and economic and social standpoint. Farmers must cooperate with one another and with the Government, and the Government can *best give its aid through* associations of farmers, so as to deliver *to the farmer the large* body of agricultural knowledge which has

been accumulated by the National and State governments and by the agricultural colleges and schools.

The grain producing industry of the country, one of the most important in the United States, deserves special consideration at the hands of the Congress. Our grain is sold almost exclusively by grades. To secure satisfactory results in our home markets and to facilitate our trade abroad, these grades should approximate the highest degree of uniformity and certainty. The present diverse methods of inspection and grading throughout the country under different laws and boards, result in confusion and lack of uniformity, destroying that confidence which is necessary for healthful trade. Complaints against the present methods have continued for years and they are growing in volume and intensity, not only in this country but abroad. I therefore suggest to the Congress the advisability of a National system of inspection and grading of grain entering into interstate and foreign commerce as a remedy for the present evils.

The conservation of our natural resources and their proper use constitute the fundamental problem which underlies almost every other problem of our National life. We must maintain for our civilization the adequate material basis without which that civilization can not exist. We must show foresight, we must look ahead. As a nation we not only enjoy a wonderful measure of present prosperity but if this prosperity is used aright it is an earnest of future success such as no other nation will have. The reward of foresight for this Nation is great and easily foretold. But there must be the look ahead, there must be a realization of the fact that to waste, to destroy, our natural resources, to skin and exhaust the land instead of using it so as to increase its usefulness, will result in undermining in the days of our children the very prosperity which we ought by right to hand down to them amplified and developed. For the last few years, through several agencies, the Government has been endeavoring to get our people to look ahead and to substitute a planned and orderly development of our resources in place of a haphazard striving for immediate profit. Our great river systems should be developed as National water highways; the Mississippi, with its tributaries, standing first in importance, and the Columbia second, although there are many others of importance on the Pacific, the Atlantic and the Gulf slopes. The National Government should undertake this work, *and I hope a beginning* will be made in the present Congress, and

Inland Waterways.

the greatest of all our rivers, the Mississippi, should receive especial attention. From the Great Lakes to the mouth of the Mississippi there should be a deep waterway, with deep waterways leading from it to the East and the West. Such a waterway would practically mean the extension of our coast line into the very heart of our country. It would be of incalculable benefit to our people. If begun at once it can be carried through in time appreciably to relieve the congestion of our great freight-carrying lines of railroads. The work should be systematically and continuously carried forward in accordance with some well-conceived plan. The main streams should be improved to the highest point of efficiency before the improvement of the branches is attempted; and the work should be kept free from every taint of recklessness or jobbery. The inland waterways which lie just back of the whole eastern and southern coasts should likewise be developed. Moreover, the development of our waterways involves many other important water problems, all of which should be considered as part of the same general scheme. The Government dams should be used to produce hundreds of thousands of horsepower as an incident to improving navigation; for the annual value of the unused water-power of the United States perhaps exceeds the annual value of the products of all our mines. As an incident to creating the deep waterway down the Mississippi, the Government should build along its whole lower length levees which taken together with the control of the headwaters, will at once and forever put a complete stop to all threat of floods in the immensely fertile Delta region. The territory lying adjacent to the Mississippi along its lower course will thereby become one of the most prosperous and populous, as it already is one of the most fertile, farming regions in all the world. I have appointed an Inland Waterways Commission to study and outline a comprehensive scheme of development along all the lines indicated. Later I shall lay its report before the Congress.

Reclamation Work.

Irrigation should be far more extensively developed than at present, not only in the States of the Great Plains and the Rocky Mountains, but in many others, as, for instance, in large portions of the South Atlantic and Gulf States, where it should go hand in hand with the reclamation of swamp land. The Federal Government should seriously devote itself to this task, realizing that utilization of *waterways and* water-power, forestry, irrigation, and the reclamation *of lands* threatened with overflow, are all interde-

pendent parts of the same problem. The work of the Reclamation Service in developing the larger opportunities of the western half of our country for irrigation is more important than almost any other movement. The constant purpose of the Government in connection with the Reclamation Service has been to use the water resources of the public lands for the ultimate greatest good of the greatest number; in other words, to put upon the land permanent home-makers, to use and develop it for themselves and for their children and children's children. There has been, of course, opposition to this work; opposition from some interested men who desire to exhaust the land for their own immediate profit without regard to the welfare of the next generation, and opposition from honest and well-meaning men who did not fully understand the subject or who did not look far enough ahead. This opposition is, I think, dying away, and our people are understanding that it would be utterly wrong to allow a few individuals to exhaust for their own temporary personal profit the resources which ought to be developed through use so as to be conserved for the permanent common advantage of the people as a whole.

Public Lands.

The effort of the Government to deal with the public land has been based upon the same principle as that of the Reclamation Service. The land law system which was designed to meet the needs of the fertile and well-watered regions of the Middle West has largely broken down when applied to the dryer regions of the Great Plains, the mountains, and much of the Pacific slope, where a farm of 160 acres is inadequate for self-support. In these regions the system lent itself to fraud, and much land passed out of the hands of the Government without passing into the hands of the home-maker. The Department of the Interior and the Department of Justice joined in prosecuting the offenders against the law; and they have accomplished much, while where the administration of the law has been defective it has been changed. But the laws themselves are defective. Three years ago a public lands commission was appointed to scrutinize the law, and defects, and recommend a remedy. Their examination specifically showed the existence of great fraud upon the public domain, and their recommendations for changes in the law were made with the design of conserving the natural resources of every part of the public lands by putting it to its best use. Especial attention was called to the prevention of settlement by the passage of great

areas of public land into the hands of a few men, and to the enormous waste caused by unrestricted grazing upon the open range. The recommendations of the Public Lands Commission are sound, for they are especially in the interest of the actual home-maker; and where the small home-maker can not at present utilize the land they provide that the Government shall keep control of it so that it may not be monopolized by a few men. The Congress has not yet acted upon these recommendations; but they are so just and proper, so essential to our National welfare, that I feel confident, if the Congress will take time to consider them, that they will ultimately be adopted.

Some such legislation as that proposed is essential in order to preserve the great stretches of public grazing land which are unfit for cultivation under present methods and are valuable only for the forage which they supply. These stretches amount in all to some 300,000,000 acres, and are open to the free grazing of cattle, sheep, horses and goats, without restriction. Such a system, or rather such lack of system, means that the range is not so much used as wasted by abuse. As the West settles the range becomes more and more over-grazed. Much of it can not be used to advantage unless it is fenced, for fencing is the only way by which to keep in check the owners of nomad flocks which roam hither and thither, utterly destroying the pastures and leaving a waste behind so that their presence is incompatible with the presence of home-makers. The existing fences are all illegal. Some of them represent the improper exclusion of actual settlers, actual home-makers, from territory which is usurped by great cattle companies. Some of them represent what is in itself a proper effort to use the range for those upon the land, and to prevent its use by nomadic outsiders. All these fences, those that are hurtful and those that are beneficial, are alike illegal and must come down. But it is an outrage that the law should necessitate such action on the part of the Administration. The unlawful fencing of public lands for private grazing must be stopped, but the necessity which occasioned it must be provided for. The Federal Government should have control of the range, whether by permit or lease, as local necessities may determine. Such control could secure the great benefit of legitimate fencing, while at the same time securing and promoting the settlement of the country. In some places it may be that the tracts of range adjacent to the homesteads of actual settlers should be allotted to them severally or in common for the summer grazing of their stock. Elsewhere

it may be that a lease system would serve the purpose; the leases to be temporary and subject to the rights of settlement, and the amount charged being large enough merely to permit of the efficient and beneficial control of the range by the Government, and of the payment to the county of the equivalent of what it would otherwise receive in taxes. The destruction of the public range will continue until some such laws as these are enacted. Fully to prevent the fraud in the public lands which, through the joint action of the Interior Department and the Department of Justice, we have been endeavoring to prevent, there must be further legislation, and especially a sufficient appropriation to permit the Department of the Interior to examine certain classes of entries on the ground before they pass into private ownership. The Government should part with its title only to the actual home-maker, not to the profit-maker who does not care to make a home. Our prime object is to secure the rights and guard the interests of the small ranchman, the man who plows and pitches hay for himself. It is this small ranchman, this actual settler and home-maker, who in the long run is most hurt by permitting thefts of the public land in whatever form.

Optimism is a good characteristic, but if carried to an excess it becomes foolishness. We are prone to speak of the resources of this country as inexhaustible; this is not so. The mineral wealth of the country, the coal, iron, oil, gas, and the like, does not reproduce itself, and therefore is certain to be exhausted ultimately; and wastefulness in dealing with it to-day means that our descendants will feel the exhaustion a generation or two before they otherwise would. But there are certain other forms of waste which could be entirely stopped—the waste of soil by washing, for instance, which is among the most dangerous of all wastes now in progress in the United States, is easily preventable, so that this present enormous loss of fertility is entirely unnecessary. The preservation or replacement of the forests is one of the most important means of preventing this loss. We have made a beginning in forest preservation, but it is only a beginning. At present lumbering is the fourth greatest industry in the United States; and yet, so rapid has been the rate of exhaustion of timber in the United States in the past, and so rapidly is the remainder being exhausted, that the country is unquestionably on the verge of a timber famine which will be felt in every household in the land. There has already been a rise in the price of lumber, but there is

Forests.

certain to be a more rapid and heavier rise in the future. The present annual consumption of lumber is certainly three times as great as the annual growth; and if the consumption and growth continue unchanged, practically all our lumber will be exhausted in another generation, while long before the limit to complete exhaustion is reached the growing scarcity will make itself felt in many blighting ways upon our National welfare. About 20 per cent of our forested territory is now reserved in National forests; but these do not include the most valuable timber lands, and in any event the proportion is too small to expect that the reserves can accomplish more than a mitigation of the trouble which is ahead for the nation. Far more drastic action is needed. Forests can be lumbered so as to give to the public the full use of their mercantile timber without the slightest detriment to the forest, any more than it is a detriment to a farm to furnish a harvest; so that there is no parallel between forests and mines, which can only be completely used by exhaustion. But forests, if used as all our forests have been used in the past and as most of them are still used, will be either wholly destroyed, or so damaged that many decades have to pass before effective use can be made of them again. All these facts are so obvious that it is extraordinary that it should be necessary to repeat them. Every business man in the land, every writer in the newspapers, every man or woman of an ordinary school education, ought to be able to see that immense quantities of timber are used in the country, that the forests which supply this timber are rapidly being exhausted, and that, if no change takes place, exhaustion will come comparatively soon, and that the effects of it will be felt severely in the every-day life of our people. Surely, when these facts are so obvious, there should be no delay in taking preventive measures. Yet we seem as a nation to be willing to proceed in this matter with happy-go-lucky indifference even to the immediate future. It is this attitude which permits the self-interest of a very few persons to weigh for more than the ultimate interest of all our people. There are persons who find it to their immense pecuniary benefit to destroy the forests by lumbering. They are to be blamed for thus sacrificing the future of the Nation as a whole to their own self-interest of the moment; but heavier blame attaches to the people at large for permitting such action, whether in the White Mountains, in the southern Alleghenies, or in the Rockies and Sierras. A big lumbering company, impatient for immediate

returns and not caring to look far enough ahead, will often deliberately destroy all the good timber in a region, hoping afterwards to move on to some new country. The shiftless man of small means, who does not care to become an actual home-maker but would like immediate profit, will find it to his advantage to take up timber land simply to turn it over to such a big company, and leave it valueless for future settlers. A big mine owner, anxious only to develop his mine at the moment, will care only to cut all the timber that he wishes without regard to the future—probably not looking ahead to the condition of the country when the forests are exhausted, any more than he does to the condition when the mine is worked out. I do not blame these men nearly as much as I blame the supine public opinion, the indifferent public opinion, which permits their action to go unchecked. Of course to check the waste of timber means that there must be on the part of the public the acceptance of a temporary restriction in the lavish use of the timber, in order to prevent the total loss of this use in the future. There are plenty of men in public and private life who actually advocate the continuance of the present system of unchecked and wasteful extravagance, using as an argument the fact that to check it will of course mean interference with the ease and comfort of certain people who now get lumber at less cost than they ought to pay, at the expense of the future generations. Some of these persons actually demand that the present forest reserves be thrown open to destruction, because, forsooth, they think that thereby the price of lumber could be put down again for two or three or more years. Their attitude is precisely like that of an agitator protesting against the outlay of money by farmers on manure and in taking care of their farms generally. Undoubtedly, if the average farmer were content absolutely to ruin his farm, he could for two or three years avoid spending any money on it, and yet make a good deal of money out of it. But only a savage would, in his private affairs, show such reckless disregard of the future; yet it is precisely this reckless disregard of the future which the opponents of the forestry system are now endeavoring to get the people of the United States to show. The only trouble with the movement for the preservation of our forests is that it has not gone nearly far enough, and was not begun soon enough. It is a most fortunate thing, however, that we began it when we did. We should acquire in the Appalachian and White Mountain

regions all the forest lands that it is possible to acquire for the use of the Nation. These lands, because they form a National asset, are as emphatically national as the rivers which they feed, and which flow through so many States before they reach the ocean.

There should be no tariff on any forest product grown in this country; and, in especial, there should be no tariff on wood pulp; due notice of the change being of course given to those engaged in the business so as to enable them to adjust themselves to the new conditions. The repeal of the duty on wood pulp should if possible be accompanied by an agreement with Canada that there shall be no export duty on Canadian pulp wood.

Tariff on Wood Pulp.

In the eastern United States the mineral fuels have already passed into the hands of large private owners, and those of the West are rapidly following. It is obvious that these fuels should be conserved and not wasted, and it would be well to protect the people against unjust and extortionate prices, so far as that can still be done. What has been accomplished in the great oil fields of the Indian Territory by the action of the Administration, offers a striking example of the good results of such a policy. In my judgment the Government should have the right to keep the fee of the coal, oil, and gas fields in its own possession and to lease the rights to develop them under proper regulations; or else, if the Congress will not adopt this method, the coal deposits should be sold under limitations, to conserve them as public utilities, the right to mine coal being separated from the title to the soil. The regulations should permit coal lands to be worked in sufficient quantity by the several corporations. The present limitations have been absurd, excessive, and serve no useful purpose, and often render it necessary that there should be either fraud or else abandonment of the work of getting out the coal.

Mineral Lands.

Work on the Panama Canal is proceeding in a highly satisfactory manner. In March last, John F. Stevens, chairman of the Commission and chief engineer, resigned, and the Commission was reorganized and constituted as follows: Lieut. Col. George W. Goethals, Corps of Engineers, U. S. Army, chairman and chief engineer; Maj. D. D. Gaillard, Corps of Engineers, U. S. Army; Maj. William L. Sibert, Corps of Engineers, U. S. Army; Civil Engineer H. H. Rousseau, U. S. Navy; Mr. J. C. S. Blackburn; Col. W. C. Gorgas, U. S. Army, and Mr. Jackson Smith, Commissioners. This change

The Panama Canal.

of authority and direction went into effect on April 1, without causing a perceptible check to the progress of the work. In March the total excavation in the Culebra Cut, where effort was chiefly concentrated, was 815,270 cubic yards. In April this was increased to 879,527 cubic yards. There was a considerable decrease in the output for May and June owing partly to the advent of the rainy season and partly to temporary trouble with the steam shovel men over the question of wages. This trouble was settled satisfactorily to all parties and in July the total excavation advanced materially and in August the grand total from all points in the canal prism by steam shovels and dredges exceeded all previous United States records, reaching 1,274,404 cubic yards. In September this record was eclipsed and a total of 1,517,412 cubic yards was removed. Of this amount 1,481,307 cubic yards were from the canal prism and 36,105 cubic yards were from accessory works. These results were achieved in the rainy season with a rainfall in August of 11.89 inches and in September of 11.65 inches. Finally, in October, the record was again eclipsed, the total excavation being 1,868,729 cubic yards; a truly extraordinary record, especially in view of the heavy rainfall, which was 17.1 inches. In fact, experience during the last two rainy seasons demonstrates that the rains are a less serious obstacle to progress than has hitherto been supposed.

Work on the locks and dams at Gatun, which began actively in March last, has advanced so far that it is thought that masonry work on the locks can be begun within fifteen months. In order to remove all doubt as to the satisfactory character of the foundations for the locks of the Canal, the Secretary of War requested three eminent civil engineers, of special experience in such construction, Alfred Noble, Frederic P. Stearns and John R. Freeman, to visit the Isthmus and make thorough personal investigations of the sites. These gentlemen went to the Isthmus in April and by means of test pits which had been dug for the purpose, they inspected the proposed foundations, and also examined the borings that had been made. In their report to the Secretary of War, under date of May 2, 1907, they said: "We found that all of the locks, of the dimensions now proposed, will rest upon rock of such character that it will furnish a safe and stable foundation." Subsequent new borings, conducted by the present Commission, have fully confirmed this verdict. They show that the locks will rest on rock for their entire length. The cross section of the dam and method of construction will be such as to insure against any slip or sloughing off. Similar examination of the foundations of the

locks and dams on the Pacific side are in progress. I believe that the locks should be made of a width of 120 feet.

Last winter bids were requested and received for doing the work of canal construction by contract. None of them was found to be satisfactory and all were rejected. It is the unanimous opinion of the present Commission that the work can be done better, more cheaply, and more quickly by the Government than by private contractors. Fully 80 per cent of the entire plant needed for construction has been purchased or contracted for; machine shops have been erected and equipped for making all needed repairs to the plant; many thousands of employees have been secured; an effective organization has been perfected; a recruiting system is in operation which is capable of furnishing more labor than can be used advantageously; employees are well sheltered and well fed; salaries paid are satisfactory, and the work is not only going forward smoothly, but it is producing results far in advance of the most sanguine anticipations. Under these favorable conditions, a change in the method of prosecuting the work would be unwise and unjustifiable, for it would inevitably disorganize existing conditions, check progress, and increase the cost and lengthen the time of completing the Canal.

The chief engineer and all his professional associates are firmly convinced that the 85 feet level lock canal which they are constructing is the best that could be desired. Some of them had doubts on this point when they went to the Isthmus. As the plans have developed under their direction their doubts have been dispelled. While they may decide upon changes in detail as construction advances they are in hearty accord in approving the general plan. They believe that it provides a canal not only adequate to all demands that will be made upon it but superior in every way to a sea level canal. I concur in this belief.

Postal Affairs.

I commend to the favorable consideration of the Congress a postal savings bank system, as recommended by the Postmaster-General. The primary object is to encourage among our people economy and thrift and by the use of postal savings banks to give them an opportunity to husband their resources, particularly those who have not the facilities at hand for depositing their money in savings banks. Viewed, however, from the experience of the past few weeks, it is evident that the advantages of such an institution are still more far-reaching. Timid depositors have withdrawn their savings for the time being from national banks,

trust companies, and savings banks; individuals have hoarded their cash and the workingmen their earnings; all of which money has been withheld and kept in hiding or in the safe deposit box to the detriment of prosperity. Through the agency of the postal savings banks such money would be restored to the channels of trade, to the mutual benefit of capital and labor.

I further commend to the Congress the consideration of the Postmaster-General's recommendation for an extension of the parcel post, especially on the rural routes. There are now 38,215 rural routes, serving nearly 15,000,000 people who do not have the advantages of the inhabitants of cities in obtaining their supplies. These recommendations have been drawn up to benefit the farmer and the country storekeeper; otherwise, I should not favor them, for I believe that it is good policy for our Government to do everything possible to aid the small town and the country district. It is desirable that the country merchant should not be crushed out.

The fourth-class postmasters' convention has passed a very strong resolution in favor of placing the fourth-class postmasters under the civil-service law. The Administration has already put into effect the policy of refusing to remove any fourth-class postmasters save for reasons connected with the good of the service; and it is endeavoring so far as possible to remove them from the domain of partisan politics. It would be a most desirable thing to put the fourth-class postmasters in the classified service. It is possible that this might be done without Congressional action, but, as the matter is debatable, I earnestly recommend that the Congress enact a law providing that they be included under the civil-service law and put in the classified service.

Oklahoma has become a State, standing on a full equality with her elder sisters, and her future is assured by her great natural resources. The duty of the National Government to guard the personal and property rights of the Indians within her borders remains of course unchanged.

Oklahoma.

I reiterate my recommendations of last year as regards Alaska. Some form of local self-government should be provided, as simple and inexpensive as possible; it is impossible for the Congress to devote the necessary time to all the little details of necessary Alaskan legislation. Road building and railway building should be encouraged. The Governor of Alaska should be given an ample

Alaska.

appropriation wherewith to organize a force to preserve the public peace. Whisky selling to the natives should be made a felony. The coal land laws should be changed so as to meet the peculiar needs of the Territory. This should be attended to at once; for the present laws permit individuals to locate large areas of the public domain for speculative purposes; and cause an immense amount of trouble, fraud, and litigation. There should be another judicial division established. As early as possible lighthouses and buoys should be established as aids to navigation, especially in and about Prince William Sound, and the survey of the coast completed. There is need of liberal appropriations for lighting and buoying the southern coast and improving the aids to navigation in southeastern Alaska. One of the great industries of Alaska, as of Puget Sound and the Columbia, is salmon fishing. Gradually, by reason of lack of proper laws, this industry is being ruined; it should now be taken in charge, and effectively protected, by the United States Government.

The courage and enterprise of the citizens of the far Northwest in their projected Alaska-Yukon-Pacific Exposition, to be held in 1909, should receive liberal encouragement. This exposition is not sentimental in its conception, but seeks to exploit the natural resources of Alaska and to promote the commerce, trade, and industry of the Pacific States with their neighboring States and with our insular possessions and the neighboring countries of the Pacific. The exposition asks no loan from the Congress but seeks appropriations for National exhibits and exhibits of the western dependencies of the General Government. The State of Washington and the city of Seattle have shown the characteristic western enterprise in large donations for the conduct of this exposition in which other States are lending generous assistance.

The unfortunate failure of the shipping bill at the last session of the last Congress was followed by the taking off of certain Pacific steamships, which has greatly hampered the movement of passengers between Hawaii and the mainland. Unless the Congress is prepared by positive encouragement to secure proper facilities in the way of shipping between Hawaii and the mainland, then the coastwise shipping laws should be so far relaxed as to prevent Hawaii suffering as it is now suffering. I again call your attention to the capital importance from every standpoint of making Pearl Harbor available for the largest deep water vessels, and of suitably fortifying the island.

Hawaii.

The Philippines.

The Secretary of War has gone to the Philippines. On his return I shall submit to you his report on the islands.

Porto Rico.

I again recommend that the rights of citizenship be conferred upon the people of Porto Rico.

A bureau of mines should be created under the control and direction of the Secretary of the Interior; the bureau to have power to collect statistics and make investigations in all matters pertaining to mining and particularly to the accidents and dangers of the industry. If this can not now be done, at least additional appropriations should be given the Interior Department to be used for the study of mining conditions, for the prevention of fraudulent mining schemes, for carrying on the work of mapping the mining districts, for studying methods for minimizing the accidents and dangers in the industry; in short, to aid in all proper ways the development of the mining industry.

Mining.

The Hermitage.

I strongly recommend to the Congress to provide funds for keeping up the Hermitage, the home of Andrew Jackson; these funds to be used through the existing Hermitage Association for the preservation of a historic building which should ever be dear to Americans.

Vicksburg National Park.

I further recommend that a naval monument be established in the Vicksburg National Park. This national park gives a unique opportunity for commemorating the deeds of those gallant men who fought on water, no less than of those who fought on land, in the great civil war.

The Thirteenth Census.

Legislation should be enacted at the present session of the Congress for the Thirteenth Census. The establishment of the permanent Census Bureau affords the opportunity for a better census than we have ever had, but in order to realize the full advantage of the permanent organization, ample time must be given for preparation.

The Public Health.

There is a constantly growing interest in this country in the question of the public health. At last the public mind is awake to the fact that many diseases, notably tuberculosis, are National scourges. The work of the State and city boards of health should be supplemented by a constantly increasing interest on the part of the National Government. The Congress has already provided a *bureau of public* health and has provided for a hygienic laboratory.

There are other valuable laws relating to the public health connected with the various departments. This whole branch of the Government should be strengthened and aided in every way.

Governmental Commissions.

I call attention to two Government commissions which I have appointed and which have already done excellent work. The first of these has to do with the organization of the scientific work of the Government, which has grown up wholly without plan and is in consequence so unwisely distributed among the Executive Departments that much of its effect is lost for the lack of proper coordination. This commission's chief object is to introduce a planned and orderly development and operation in the place of the ill-assorted and often ineffective grouping and methods of work which have prevailed. This can not be done without legislation, nor would it be feasible to deal in detail with so complex an administrative problem by specific provisions of law. I recommend that the President be given authority to concentrate related lines of work and reduce duplication by Executive order through transfer and consolidation of lines of work.

The second committee, that on Department methods, was instructed to investigate and report upon the changes needed to place the conduct of the executive force of the Government on the most economical and effective basis in the light of the best modern business practice. The committee has made very satisfactory progress. Antiquated practices and bureaucratic ways have been abolished, and a general renovation of departmental methods has been inaugurated. All that can be done by Executive order has already been accomplished or will be put into effect in the near future. The work of the main committee and its several assistant committees has produced a wholesome awakening on the part of the great body of officers and employees engaged in Government work. In nearly every Department and office there has been a careful self-inspection for the purpose of remedying any defects before they could be made the subject of adverse criticism. This has led individuals to a wider study of the work on which they were engaged, and this study has resulted in increasing their efficiency in their respective lines of work. There are recommendations of special importance from the committee on the subject of personnel and the classification of salaries which will require legislative action before they can be put into

effect. It is my intention to submit to the Congress in the near future a special message on those subjects.

Under our form of government voting is not merely a right but a duty, and, moreover, a fundamental and necessary duty if a man is to be a good citizen. It is well to provide that corporations shall not contribute to Presidential or National campaigns, and furthermore to provide for the publication of both contributions and expenditures. There is, however, always danger in laws of this kind, which from their very nature are difficult of enforcement; the danger being lest they be obeyed only by the honest, and disobeyed by the unscrupulous, so as to act only as a penalty upon honest men. Moreover, no such law would hamper an unscrupulous man of unlimited means from buying his own way into office. There is a very radical measure which would, I believe, work a substantial improvement in our system of conducting a campaign, although I am well aware that it will take some time for people so to familiarize themselves with such a proposal as to be willing to consider its adoption. The need for collecting large campaign funds would vanish if Congress provided an appropriation for the proper and legitimate expenses of each of the great national parties, an appropriation ample enough to meet the necessity for thorough organization and machinery, which requires a large expenditure of money. Then the stipulation should be made that no party receiving campaign funds from the Treasury should accept more than a fixed amount from any individual subscriber or donor; and the necessary publicity for receipts and expenditures could without difficulty be provided.

Presidential Campaign Expenses.

There should be a National gallery of art established in the capital city of this country. This is important not merely to the artistic but to the material welfare of the country; and the people are to be congratulated on the fact that the movement to establish such a gallery is taking definite form under the guidance of the Smithsonian Institution. So far from there being a tariff on works of art brought into the country, their importation should be encouraged in every way. There have been no sufficient collections of objects of art by the Government, and what collections have been acquired are scattered and are generally placed in unsuitable and imperfectly lighted galleries.

A National Gallery of Art.

The Biological Survey is quietly working for the good of our agricultural interests, and is an excellent example of a Government bureau which conducts original scientific research the findings of which are of much practical utility. For more than twenty years it has studied the food habits of birds and mammals that are injurious or beneficial to agriculture, horticulture, and forestry; has distributed illustrated bulletins on the subject, and has labored to secure legislative protection for the beneficial species. The cotton boll-weevil, which has recently overspread the cotton belt of Texas and is steadily extending its range, is said to cause an annual loss of about $3,000,000. The Biological Survey has ascertained and given wide publicity to the fact that at least 43 kinds of birds prey upon this destructive insect. It has discovered that 57 species of birds feed upon scale-insects—dreaded enemies of the fruit grower. It has shown that woodpeckers as a class, by destroying the larvæ of wood-boring insects, are so essential to tree life that it is doubtful if our forests could exist without them. It has shown that cuckoos and orioles are the natural enemies of the leaf-eating caterpillars that destroy our shade and fruit trees; that our quails and sparrows consume annually hundreds of tons of seeds of noxious weeds; that hawks and owls as a class (excepting the few that kill poultry and game birds) are markedly beneficial, spending their lives in catching grasshoppers, mice, and other pests that prey upon the products of husbandry. It has conducted field experiments for the purpose of devising and perfecting simple methods for holding in check the hordes of destructive rodents—rats, mice, rabbits, gophers, prairie dogs, and ground squirrels—which annually destroy crops worth many millions of dollars; and it has published practical directions for the destruction of wolves and coyotes on the stock ranges of the West, resulting during the past year in an estimated saving of cattle and sheep valued at upwards of a million dollars.

The Biological Survey.

It has inaugurated a system of inspection at the principal ports of entry on both Atlantic and Pacific coasts by means of which the introduction of noxious mammals and birds is prevented, thus keeping out the mongoose and certain birds which are as much to be dreaded as the previously introduced English sparrow and the house rats and mice.

In the interest of game protection it has cooperated with local officials in every State in the Union, has striven to promote uniform legislation in the several States, has rendered important

service in enforcing the Federal law regulating interstate traffic in game, and has shown how game protection may be made to yield a large revenue to the State—a revenue amounting in the case of Illinois to $128,000 in a single year.

The Biological Survey has explored the faunas and floras of America with reference to the distribution of animals and plants; it has defined and mapped the natural life areas—areas in which, by reason of prevailing climatic conditions, certain kinds of animals and plants occur—and has pointed out the adaptability of these areas to the cultivation of particular crops. The results of these investigations are not only of high educational value but are worth each year to the progressive farmers of the country many times the cost of maintaining the Survey, which, it may be added, is exceedingly small. I recommend to Congress that this bureau, whose usefulness is seriously handicapped by lack of funds, be granted an appropriation in some degree commensurate with the importance of the work it is doing.

Ocean Mail Service.

I call your especial attention to the unsatisfactory condition of our foreign mail service, which, because of the lack of American steamship lines is now largely done through foreign lines, and which, particularly so far as South and Central America are concerned, is done in a manner which constitutes a serious barrier to the extension of our commerce.

The time has come, in my judgment, to set to work seriously to make our ocean mail service correspond more closely with our recent commercial and political development. A beginning was made by the ocean mail act of March 3, 1891, but even at that time the act was known to be inadequate in various particulars. Since that time events have moved rapidly in our history. We have acquired Hawaii, the Philippines, and lesser islands in the Pacific. We are steadily prosecuting the great work of uniting at the Isthmus the waters of the Atlantic and the Pacific. To a greater extent than seemed probable even a dozen years ago, we may look to an American future on the sea worthy of the traditions of our past. As the first step in that direction, and the step most feasible at the present time, I recommend the extension of the ocean mail act of 1891. That act has stood for some years free from successful criticism of its principle and purpose. It was based on theories of the obligations of a great maritime nation, undisputed in our own land and followed by other nations since the beginning of steam navigation. Briefly those theories are, that

it is the duty of a first-class Power so far as practicable to carry its ocean mails under its own flag; that the fast ocean steamships and their crews, required for such mail service, are valuable auxiliaries to the sea power of a nation. Furthermore, the construction of such steamships insures the maintenance in an efficient condition of the shipyards in which our battleships must be built.

The expenditure of public money for the performance of such necessary functions of government is certainly warranted, nor is it necessary to dwell upon the incidental benefits to our foreign commerce, to the shipbuilding industry, and to ship owning and navigation which will accompany the discharge of these urgent public duties, though they, too, should have weight.

The only serious question is whether at this time we can afford to improve our ocean mail service as it should be improved. All doubt on this subject is removed by the reports of the Post-Office Department. For the fiscal year ended June 30, 1907, that Department estimates that the postage collected on the articles exchanged with foreign countries other than Canada and Mexico amounted to $6,579,043.48, or $3,637,226.81 more than the net cost of the service exclusive of the cost of transporting the articles between the United States exchange postoffices and the United States postoffices at which they were mailed or delivered. In other words, the Government of the United States, having assumed a monopoly of carrying the mails for the people, is making a profit of over $3,600,000 by rendering a cheap and inefficient service. That profit I believe should be devoted to strengthening our maritime power in those directions where it will best promote our prestige. The country is familiar with the facts of our maritime impotence in the harbors of the great and friendly Republics of South America. Following the failure of the shipbuilding bill we lost our only American line of steamers to Australasia, and that loss on the Pacific has become a serious embarrassment to the people of Hawaii, and has wholly cut off the Samoan islands from regular communication with the Pacific coast. Puget Sound, in the year, has lost over half (four out of seven) of its American steamers trading with the Orient.

We now pay under the act of 1891 $4 a statute mile outward to 20-knot American mail steamships, built according to naval plans, available as cruisers, and manned by Americans. Steamships of that speed are confined exclusively to trans-Atlantic trade *with* New York. To steamships of 16 knots or over only $2 a

mile can be paid, and it is steamships of this speed and type which are needed to meet the requirements of mail service to South America, Asia (including the Philippines), and Australia. I strongly recommend, therefore, a simple amendment to the ocean mail act of 1891 which shall authorize the Postmaster-General in his discretion to enter into contracts for the transportation of mails to the Republics of South America, to Asia, the Philippines, and Australia at a rate not to exceed $4 a mile for steamships of 16 knots speed or upwards, subject to the restrictions and obligations of the act of 1891. The profit of $3,600,000 which has been mentioned will fully cover the maximum annual expenditure involved in this recommendation, and it is believed will in time establish the lines so urgently needed. The proposition involves no new principle, but permits the efficient discharge of public functions now inadequately performed or not performed at all.

The Army.

Not only there is not now, but there never has been, any other nation in the world so wholly free from the evils of militarism as is ours. There never has been any other large nation, not even China, which for so long a period has had relatively to its numbers so small a regular army as has ours. Never at any time in our history has this Nation suffered from militarism or been in the remotest danger of suffering from militarism. Never at any time of our history has the Regular Army been of a size which caused the slightest appreciable tax upon the tax-paying citizens of the Nation. Almost always it has been too small in size and underpaid. Never in our entire history has the Nation suffered in the least particular because too much care has been given to the Army, too much prominence given it, too much money spent upon it, or because it has been too large. But again and again we have suffered because enough care has not been given to it, because it has been too small, because there has not been sufficient preparation in advance for possible war. Every foreign war in which we have engaged has cost us many times the amount which, if wisely expended during the preceding years of peace on the Regular Army, would have insured the war ending in but a fraction of the time and but for a fraction of the cost that was actually the case. As a Nation we have always been shortsighted in providing for the efficiency of the Army in time of peace. It is nobody's especial interest to make such provision and no one looks ahead

to war at any period, no matter how remote, as being a serious possibility; while an improper economy, or rather niggardliness, can be practiced at the expense of the Army with the certainty that those practicing it will not be called to account therefor, but that the price will be paid by the unfortunate persons who happen to be in office when a war does actually come.

I think it is only lack of foresight that troubles us, not any hostility to the Army. There are, of course, foolish people who denounce any care of the Army or Navy as "militarism," but I do not think that these people are numerous. This country has to contend now, and has had to contend in the past, with many evils, and there is ample scope for all who would work for reform. But there is not one evil that now exists, or that ever has existed in this country, which is, or ever has been, owing in the smallest part to militarism. Declamation against militarism has no more serious place in an earnest and intelligent movement for righteousness in this country than declamation against the worship of Baal or Astaroth. It is declamation against a non-existent evil, one which never has existed in this country, and which has not the slightest chance of appearing here. We are glad to help in any movement for international peace, but this is because we sincerely believe that it is our duty to help all such movements provided they are sane and rational, and not because there is any tendency toward militarism on our part which needs to be cured. The evils we have to fight are those in connection with industrialism, not militarism. Industry is always necessary, just as war is sometimes necessary. Each has its price, and industry in the United States now exacts, and has always exacted, a far heavier toll of death than all our wars put together. The statistics of the railroads of this country for the year ended June 30, 1906, the last contained in the annual statistical report of the Interstate Commerce Commission, show in that one year a total of 108,324 casualties to persons, of which 10,618 represent the number of persons killed. In that wonderful hive of human activity, Pittsburg, the deaths due to industrial accidents in 1906 were 919, all the result of accidents in mills, mines or on railroads. For the entire country, therefore, it is safe to say that the deaths due to industrial accidents aggregate in the neighborhood of twenty thousand a year. Such a record makes the death rate in all our foreign wars utterly trivial by comparison. The number of deaths in battle in all the foreign wars put together, for the last century and a quarter, aggregate

considerably less than one year's death record for our industries. A mere glance at these figures is sufficient to show the absurdity of the outcry against militarism.

But again and again in the past our little Regular Army has rendered service literally vital to the country, and it may at any time have to do so in the future. Its standard of efficiency and instruction is higher now than ever in the past. But it is too small. There are not enough officers; and it is impossible to secure enough enlisted men. We should maintain in peace a fairly complete skeleton of a large army. A great and long-continued war would have to be fought by volunteers. But months would pass before any large body of efficient volunteers could be put in the field, and our Regular Army should be large enough to meet any immediate need. In particular it is essential that we should possess a number of extra officers trained in peace to perform efficiently the duties urgently required upon the breaking out of war.

The Medical Corps should be much larger than the needs of our Regular Army in war. Yet at present it is smaller than the needs of the service demand even in peace. The Spanish war occurred less than ten years ago. The chief loss we suffered in it was by disease among the regiments which never left the country. At the moment the Nation seemed deeply impressed by this fact; yet seemingly it has already been forgotten, for not the slightest effort has been made to prepare a medical corps of sufficient size to prevent the repetition of the same disaster on a much larger scale if we should ever be engaged in a serious conflict. The trouble in the Spanish war was not with the then existing officials of the War Department; it was with the representatives of the people as a whole who, for the preceding thirty years, had declined to make the necessary provision for the Army. Unless ample provision is now made by Congress to put the Medical Corps where it should be put disaster in the next war is inevitable, and the responsibility will not lie with those then in charge of the War Department, but with those who now decline to make the necessary provision. A well organized medical corps, thoroughly trained before the advent of war in all the important administrative duties of a military sanitary corps, is essential to the efficiency of any large army, and especially of a large volunteer army. Such knowledge of medicine and surgery as is possessed by the medical profession generally will not *alone* suffice to make an efficient military surgeon. He *must have, in* addition, knowledge of the administration and

sanitation of large field hospitals and camps, in order to safeguard the health and lives of men intrusted in great numbers to his care. A bill has long been pending before the Congress for the reorganization of the Medical Corps; its passage is urgently needed.

But the Medical Department is not the only department for which increased provision should be made. The rate of pay for the officers should be greatly increased; there is no higher type of citizen than the American regular officer, and he should have a fair reward for his admirable work. There should be a relatively even greater increase in the pay for the enlisted men. In especial provision should be made for establishing grades equivalent to those of warrant officers in the Navy which should be open to the enlisted men who serve sufficiently long and who do their work well. Inducements should be offered sufficient to encourage really good men to make the Army a life occupation. The prime needs of our present Army is to secure and retain competent noncommissioned officers. This difficulty rests fundamentally on the question of pay. The noncommissioned officer does not correspond with an unskilled laborer; he corresponds to the best type of skilled workman or to the subordinate official in civil institutions. Wages have greatly increased in outside occupations in the last forty years and the pay of the soldier, like the pay of the officers, should be proportionately increased. The first sergeant of a company, if a good man, must be one of such executive and administrative ability, and such knowledge of his trade, as to be worth far more than we at present pay him. The same is true of the regimental sergeant major. These men should be men who had fully resolved to make the Army a life occupation and they should be able to look forward to ample reward; while only men properly qualified should be given a chance to secure these final rewards. The increase over the present pay need not be great in the lower grades for the first one or two enlistments, but the increase should be marked for the noncommissioned officers of the upper grades who serve long enough to make it evident that they intend to stay permanently in the Army, while additional pay should be given for high qualifications in target practice. The position of warrant officer should be established and there should be not only an increase of pay, but an increase of privileges and allowances and dignity, so as to make the grade open to noncommissioned officers capable of filling them desirably from every standpoint.

The rate of desertion in our Army now in time of peace is alarming. *The deserter* should be treated by public opinion as a man

guilty of the greatest crime; while on the other hand the man who serves steadily in the Army should be treated as what he is, that is, as preeminently one of the best citizens of this Republic. After twelve years' service in the Army my own belief is that the man should be given a preference according to his ability for certain types of office over all civilian applicants without examination. This should also apply, of course, to the men who have served twelve years in the Navy. A special corps should be provided to do the manual labor now necessarily demanded of the privates themselves.

Among the officers there should be severe examinations to weed out the unfit up to the grade of major. From that position on appointments should be solely by selection and it should be understood that a man of merely average capacity could never get beyond the position of major, while every man who serves in any grade a certain length of time prior to promotion to the next grade without getting the promotion to the next grade should be forthwith retired. The practice marches and field maneuvers of the last two or three years have been invaluable to the Army. They should be continued and extended. A rigid and not a perfunctory examination of physical capacity has been provided for the higher grade officers. This will work well. Unless an officer has a good physique, unless he can stand hardship, ride well, and walk fairly, he is not fit for any position, even after he has become a colonel. Before he has become a colonel the need for physical fitness in the officer is almost as great as in the enlisted man. I hope speedily to see introduced into the Army a far more rigid and thoroughgoing test of horsemanship for all field officers than at present. There should be a Chief of Cavalry just as there is a Chief of Artillery.

Perhaps the most important of all legislation needed for the benefit of the Army is a law to equalize and increase the pay of officers and enlisted men of the Army, Navy, Marine Corps, and Revenue-Cutter Service. Such a bill has been prepared, which it is hoped will meet with your favorable consideration. The next most essential measure is to authorize a number of extra officers as mentioned above. To make the Army more attractive to enlisted men, it is absolutely essential to create a service corps, such as exists in nearly every modern army in the world, to do the skilled and unskilled labor, inseparably connected with military administration, which is now exacted, without just compensation, of enlisted men who voluntarily entered the Army to do service of

an altogether different kind. There are a number of other laws necessary to so organize the Army as to promote its efficiency and facilitate its rapid expansion in time of war; but the above are the most important.

The Navy.

It was hoped The Hague Conference might deal with the question of the limitation of armaments. But even before it had assembled informal inquiries had developed that as regards naval armaments, the only ones in which this country had any interest, it was hopeless to try to devise any plan for which there was the slightest possibility of securing the assent of the nations gathered at The Hague. No plan was even proposed which would have had the assent of more than one first class Power outside of the United States. The only plan that seemed at all feasible, that of limiting the size of battleships, met with no favor at all. It is evident, therefore, that it is folly for this Nation to base any hope of securing peace on any international agreement as to the limitation of armaments. Such being the fact it would be most unwise for us to stop the upbuilding of our Navy. To build one battleship of the best and most advanced type a year would barely keep our fleet up to its present force. This is not enough. In my judgment, we should this year provide for four battleships. But it is idle to build battleships unless in addition to providing the men, and the means for thorough training, we provide the auxiliaries for them, unless we provide docks, the coaling stations, the colliers and supply ships that they need. We are extremely deficient in coaling stations and docks on the Pacific, and this deficiency should not longer be permitted to exist. Plenty of torpedo boats and destroyers should be built. Both on the Atlantic and Pacific coasts, fortifications of the best type should be provided for all our greatest harbors.

We need always to remember that in time of war the Navy is not to be used to defend harbors and sea-coast cities; we should perfect our system of coast fortifications. The only efficient use for the Navy is for offense. The only way in which it can efficiently protect our own coast against the possible action of a foreign navy is by destroying that foreign navy. For defense against a hostile fleet which actually attacks them, the coast cities must depend upon their forts, mines, torpedoes, submarines, and torpedo boats and destroyers. All of these together are efficient for defensive purposes, but they in no way supply the place of a *thoroughly* efficient navy capable of acting on the offensive; for *parrying never yet* won a fight. It can only be won by hard

hitting, and an aggressive sea-going navy alone can do this hard hitting of the offensive type. But the forts and the like are necessary so that the Navy may be footloose. In time of war there is sure to be demand, under pressure of fright, for the ships to be scattered so as to defend all kind of ports. Under penalty of terrible disaster, this demand must be refused. The ships must be kept together, and their objective made the enemies' fleet. If fortifications are sufficiently strong, no modern navy will venture to attack them, so long as the foe has in existence a hostile navy of anything like the same size or efficiency. But unless there exists such a navy then the fortifications are powerless by themselves to secure the victory. For of course the mere deficiency means that any resolute enemy can at his leisure combine all his forces upon one point with the certainty that he can take it.

Until our battle fleet is much larger than at present it should never be split into detachments so far apart that they could not in event of emergency be speedily united. Our coast line is on the Pacific just as much as on the Atlantic. The interests of California, Oregon, and Washington are as emphatically the interests of the whole Union as those of Maine and New York, of Louisiana and Texas. The battle fleet should now and then be moved to the Pacific, just as at other times it should be kept in the Atlantic. When the Isthmian Canal is built the transit of the battle fleet from one ocean to the other will be comparatively easy. Until it is built I earnestly hope that the battle fleet will be thus shifted between the two oceans every year or two. The marksmanship on all our ships has improved phenomenally during the last five years. Until within the last two or three years it was not possible to train a battle fleet in squadron maneuvers under service conditions, and it is only during these last two or three years that the training under these conditions has become really effective. Another and most necessary stride in advance is now being taken. The battle fleet is about starting by the Straits of Magellan to visit the Pacific coast. Sixteen battleships are going under the command of Rear-Admiral Evans, while eight armored cruisers and two other battleships will meet him at San Francisco, whither certain torpedo destroyers are also going. No fleet of such size has ever made such a voyage, and it will be of very great educational use to all engaged in it. The only way by which to teach officers and men how to handle the fleet so as to meet every possible strain and emergency in time of

war is to have them practice under similar conditions in time of peace. Moreover, the only way to find out our actual needs is to perform in time of peace whatever maneuvers might be necessary in time of war. After war is declared it is too late to find out the needs; that means to invite disaster. This trip to the Pacific will show what some of our needs are and will enable us to provide for them. The proper place for an officer to learn his duty is at sea, and the only way in which a navy can ever be made efficient is by practice at sea, under all the conditions which would have to be met if war existed.

I bespeak the most liberal treatment for the officers and enlisted men of the Navy. It is true of them, as likewise of the officers and enlisted men of the Army, that they form a body whose interests should be close to the heart of every good American. In return the most rigid performance of duty should be exacted from them. The reward should be ample when they do their best; and nothing less than their best should be tolerated. It is idle to hope for the best results when the men in the senior grades come to those grades late in life and serve too short a time in them. Up to the rank of lieutenant-commander promotion in the Navy should be as now, by seniority, subject, however, to such rigid tests as would eliminate the unfit. After the grade of lieutenant-commander, that is, when we come to the grade of command rank, the unfit should be eliminated in such manner that only the conspicuously fit would remain, and sea service should be a principal test of fitness. Those who are passed by should, after a certain length of service in their respective grades, be retired. Of a given number of men it may well be that almost all would make good lieutenants and most of them good lieutenant-commanders, while only a minority will be fit to be captains, and but three or four to be admirals. Those who object to promotion otherwise than by mere seniority should reflect upon the elementary fact that no business in private life could be successfully managed if those who enter at the lowest rungs of the ladder should each in turn, if he lived, become the head of the firm, its active director, and retire after he had held the position a few months. On its face such a scheme is an absurdity. Chances for improper favoritism can be minimized by a properly formed board; such as the board of last June, which did such conscientious and excellent work in elimination.

If all that ought to be done can not now be done, at least let a beginning be made. In my last three annual Messages, and in a special Message to the last Congress, the necessity for legislation that will cause officers of the line of the Navy to reach the grades of captain and rear-admiral at less advanced ages and which will cause them to have more sea training and experience in the highly responsible duties of those grades, so that they may become thoroughly skillful in handling battleships, divisions, squadrons, and fleets in action, has been fully explained and urgently recommended. Upon this subject the Secretary of the Navy has submitted detailed and definite recommendations which have received my approval, and which, if enacted into law, will accomplish what is immediately necessary, and will, as compared with existing law, make a saving of more than five millions of dollars during the next seven years. The navy personnel act of 1899 has accomplished all that was expected of it in providing satisfactory periods of service in the several subordinate grades, from the grade of ensign to the grade of lieutenant-commander, but the law is inadequate in the upper grades and will continue to be inadequate on account of the expansion of the personnel since its enactment. Your attention is invited to the following quotations from the report of the personnel board of 1906, of which the Assistant Secretary of the Navy was president:

"Congress has authorized a considerable increase in the number of midshipmen at the Naval Academy, and these midshipmen upon graduation are promoted to ensign and lieutenant (junior-grade). But no provision has been made for a corresponding increase in the upper grades, the result being that the lower grades will become so congested that a midshipman now in one of the lowest classes at Annapolis may possibly not be promoted to lieutenant until he is between 45 and 50 years of age. So it will continue under the present law, congesting at the top and congesting at the bottom. The country fails to get from the officers of the service the best that is in them by not providing opportunity for their normal development and training. The board believes that this works a serious detriment to the efficiency of the Navy and is a real menace to the public safety."

As stated in my special Message to the last Congress: "I am firmly of the opinion that unless the present conditions of the higher commissioned personnel is rectified by judicious legislation the future of our Navy will be gravely compromised." It is also urgently necessary to increase the efficiency of the Medical Corps

of the Navy. Special legislation to this end has already been proposed; and I trust it may be enacted without delay.

It must be remembered that everything done in the Navy to fit it to do well in time of war must be done in time of peace. Modern wars are short; they do not last the length of time requisite to build a battleship; and it takes longer to train the officers and men to do well on a battleship than it takes to build it. Nothing effective can be done for the Navy once war has begun, and the result of the war, if the combatants are otherwise equally matched, will depend upon which power has prepared best in time of peace. The United States Navy is the best guaranty the Nation has that its honor and interest will not be neglected; and in addition it offers by far the best insurance for peace that can by human ingenuity be devised.

I call attention to the report of the official Board of Visitors to the Naval Academy at Annapolis which has been forwarded to the Congress. The report contains this paragraph:

"Such revision should be made of the courses of study and methods of conducting and marking examinations as will develop and bring out the average all-round ability of the midshipman rather than to give him prominence in any one particular study. The fact should be kept in mind that the Naval Academy is not a university but a school, the primary object of which is to educate boys to be efficient naval officers. Changes in curriculum, therefore, should be in the direction of making the course of instruction less theoretical and more practical. No portion of any future class should be graduated in advance of the full four years' course, and under no circumstances should the standard of instruction be lowered. The Academy in almost all of its departments is now magnificently equipped, and it would be very unwise to make the course of instruction less exacting than it is to-day."

Acting upon this suggestion I designated three seagoing officers, Capt. Richard Wainwright, Commander Robert S. Griffin, and Lieut. Commander Albert L. Key, all graduates of the Academy, to investigate conditions and to recommend to me the best method of carrying into effect this general recommendation. These officers performed the duty promptly and intelligently, and, under the personal direction of Capt. Charles J. Badger, Superintendent of the Academy, such of the proposed changes as were deemed to be at present advisable were put into effect at the beginning of the academic year, October 1, last. The results, I am confident, will

be most beneficial to the Academy, to the midshipmen, and to the Navy.

Foreign Affairs.

In foreign affairs this country's steady policy is to behave toward other nations as a strong and self-respecting man should behave toward the other men with whom he is brought into contact. In other words, our aim is disinterestedly to help other nations where such help can be wisely given without the appearance of meddling with what does not concern us; to be careful to act as a good neighbor; and at the same time, in good-natured fashion, to make it evident that we do not intend to be imposed upon.

The Hague.

The Second International Peace Conference was convened at The Hague on the 15th of June last and remained in session until the 18th of October. For the first time the representatives of practically all the civilized countries of the world united in a temperate and kindly discussion of the methods by which the causes of war might be narrowed and its injurious effects reduced.

Although the agreements reached in the Conference did not in any direction go to the length hoped for by the more sanguine, yet in many directions important steps were taken, and upon every subject on the programme there was such full and considerate discussion as to justify the belief that substantial progress has been made toward further agreements in the future. Thirteen conventions were agreed upon embodying the definite conclusions which had been reached, and resolutions were adopted marking the progress made in matters upon which agreement was not yet sufficiently complete to make conventions practicable.

The delegates of the United States were instructed to favor an agreement for obligatory arbitration, the establishment of a permanent court of arbitration to proceed judicially in the hearing and decision of international causes, the prohibition of force for the collection of contract debts alleged to be due from governments to citizens of other countries until after arbitration as to the justice and amount of the debt and the time and manner of payment, the immunity of private property at sea, the better definition of the rights of neutrals, and, in case any measure to that end should be introduced, the limitation of armaments.

In the field of peaceful disposal of international differences several important advances were made. First, as to obligatory

arbitration. Although the Conference failed to secure a unanimous agreement upon the details of a convention for obligatory arbitration, it did resolve as follows:

"It is unanimous: (1) In accepting the principle for obligatory arbitration; (2) In declaring that certain differences, and notably those relating to the interpretation and application of international conventional stipulations are susceptible of being submitted to obligatory arbitration without any restriction."

In view of the fact that as a result of the discussion the vote upon the definite treaty of obligatory arbitration, which was proposed, stood 32 in favor to 9 against the adoption of the treaty, there can be little doubt that the great majority of the countries of the world have reached a point where they are now ready to apply practically the principles thus unanimously agreed upon by the Conference.

The second advance, and a very great one, is the agreement which relates to the use of force for the collection of contract debts. Your attention is invited to the paragraphs upon this subject in my Message of December, 1906, and to the resolution of the Third American Conference at Rio in the summer of 1906. The convention upon this subject adopted by the Conference substantially as proposed by the American delegates is as follows:

"In order to avoid between nations armed conflicts of a purely pecuniary origin arising from contractual debts claimed of the government of one country by the government of another country to be due to its nationals, the signatory Powers agree not to have recourse to armed force for the collection of such contractual debts.

"However, this stipulation shall not be applicable when the debtor State refuses or leaves unanswered an offer to arbitrate, or, in case of acceptance, makes it impossible to formulate the terms of submission, or, after arbitration, fails to comply with the award rendered.

"It is further agreed that arbitration here contemplated shall be in conformity, as to procedure, with Chapter III of the Convention for the Pacific Settlement of International Disputes adopted at The Hague, and that it shall determine, in so far as there shall be no agreement between the parties, the justice and the amount of the debt, the time and mode of payment thereof."

Such a provision would have prevented much injustice and extortion in the past, and I cannot doubt that its effect in the future will be most salutary.

A third advance has been made in amending and perfecting *the convention of 1899* for the voluntary settlement of interna-

tional disputes, and particularly the extension of those parts of that convention which relate to commissions of inquiry. The existence of those provisions enabled the Governments of Great Britain and Russia to avoid war, notwithstanding great public excitement, at the time of the Dogger Bank incident, and the new convention agreed upon by the Conference gives practical effect to the experience gained in that inquiry.

Substantial progress was also made towards the creation of a permanent judicial tribunal for the determination of international causes. There was very full discussion of the proposal for such a court and a general agreement was finally reached in favor of its creation. The Conference recommended to the signatory Powers the adoption of a draft upon which it agreed for the organization of the court, leaving to be determined only the method by which the judges should be selected. This remaining unsettled question is plainly one which time and good temper will solve.

A further agreement of the first importance was that for the creation of an international prize court. The constitution, organization and procedure of such a tribunal were provided for in detail. Anyone who recalls the injustices under which this country suffered as a neutral power during the early part of the last century can not fail to see in this provision for an international prize court the great advance which the world is making towards the substitution of the rule of reason and justice in place of simple force. Not only will the international prize court be the means of protecting the interests of neutrals, but it is in itself a step towards the creation of the more general court for the hearing of international controversies to which reference has just been made. The organization and action of such a prize court can not fail to accustom the different countries to the submission of international questions to the decision of an international tribunal, and we may confidently expect the results of such submission to bring about a general agreement upon the enlargement of the practice.

Numerous provisions were adopted for reducing the evil effects of war and for defining the rights and duties of neutrals.

The Conference also provided for the holding of a third Conference within a period similar to that which elapsed between the First and Second Conferences.

The delegates of the United States worthily represented the spirit of the American people and maintained with fidelity and ability the policy of our Government upon all the great questions discussed in the Conference.

The report of the delegation, together with authenticated copies of the conventions signed, when received, will be laid before the Senate for its consideration.

When we remember how difficult it is for one of our own legislative bodies, composed of citizens of the same country, speaking the same language, living under the same laws, and having the same customs, to reach an agreement, or even to secure a majority upon any difficult and important subject which is proposed for legislation, it becomes plain that the representatives of forty-five different countries, speaking many different languages, accustomed to different methods of procedure, with widely diverse interests, who discussed so many different subjects and reached agreements upon so many, are entitled to grateful appreciation for the wisdom, patience, and moderation with which they have discharged their duty. The example of this temperate discussion, and the agreements and the efforts to agree, among representatives of all the nations of the earth, acting with universal recognition of the supreme obligation to promote peace, can not fail to be a powerful influence for good in future international relations.

Cuba.

A year ago in consequence of a revolutionary movement in Cuba which threatened the immediate return to chaos of the island, the United States intervened, sending down an army and establishing a provisional government under Governor Magoon. Absolute quiet and prosperity have returned to the island because of this action. We are now taking steps to provide for elections in the island and our expectation is within the coming year to be able to turn the island over again to a government chosen by the people thereof. Cuba is at our doors. It is not possible that this Nation should permit Cuba again to sink into the condition from which we rescued it. All that we ask of the Cuban people is that they be prosperous, that they govern themselves so as to bring content, order and progress to their island, the Queen of the Antilles; and our only interference has been and will be to help them achieve these results.

The Japanese Exposition.

An invitation has been extended by Japan to the Government and people of the United States to participate in a great national exposition to be held at Tokyo from April 1 to October 31, 1912, and in which the principal countries of the world are to be invited to take part. This is an occasion of special interest to all the nations of the world, and peculiarly so to us; for it is the first instance in which such a great national exposition has been held

by a great power dwelling on the Pacific; and all the nations of Europe and America will, I trust, join in helping to success this first great exposition ever held by a great nation of Asia. The geographical relations of Japan and the United States as the possessors of such large portions of the coasts of the Pacific, the intimate trade relations already existing between the two countries, the warm friendship which has been maintained between them without break since the opening of Japan to intercourse with the western nations, and her increasing wealth and production, which we regard with hearty goodwill and wish to make the occasion of mutually beneficial commerce, all unite in making it eminently desirable that this invitation should be accepted. I heartily recommend such legislation as will provide in generous fashion for the representation of this Government and its people in the proposed exposition. Action should be taken now. We are apt to underestimate the time necessary for preparation in such cases. The invitation to the French Exposition of 1900 was brought to the attention of the Congress by President Cleveland in December, 1895; and so many are the delays necessary to such proceedings that the period of four years and a half which then intervened before the exposition proved none too long for the proper preparation of the exhibits.

German Tariff Agreement.

The adoption of a new tariff by Germany, accompanied by conventions for reciprocal tariff concessions between that country and most of the other countries of continental Europe, led the German Government to give the notice necessary to terminate the reciprocal commercial agreement with this country proclaimed July 13, 1900. The notice was to take effect on the 1st of March, 1906, and in default of some other arrangements this would have left the exports from the United States to Germany subject to the general German tariff duties, from 25 to 50 per cent higher than the conventional duties imposed upon the goods of most of our competitors for German trade.

Under a special agreement made between the two Governments in February, 1906, the German Government postponed the operation of their notice until the 30th of June, 1907. In the meantime, deeming it to be my duty to make every possible effort to prevent a tariff war between the United States and Germany arising from misunderstanding by either country of the conditions existing in the other, and acting upon the invitation of the German Government, I sent to Berlin a commission composed of

competent experts in the operation and administration of the customs tariff, from the Departments of the Treasury and Commerce and Labor. This commission was engaged for several months in conference with a similar commission appointed by the German Government, under instructions, so far as practicable, to reach a common understanding as to all the facts regarding the tariffs of the United States and Germany material and relevant to the trade relations between the two countries. The commission reported, and upon the basis of the report, a further temporary commercial agreement was entered into by the two countries, pursuant to which, in the exercise of the authority conferred upon the President by the third section of the tariff act of July 24, 1897, I extended the reduced tariff rates provided for in that section to champagne and all other sparkling wines, and pursuant to which the German conventional or minimum tariff rates were extended to about 96½ per cent of all the exports from the United States to Germany. This agreement is to remain in force until the 30th of June, 1908, and until six months after notice by either party to terminate it.

The agreement and the report of the commission on which it is based will be laid before the Congress for its information.

This careful examination into the tariff relations between the United States and Germany involved an inquiry into certain of our methods of administration which had been the cause of much complaint on the part of German exporters. In this inquiry I became satisfied that certain vicious and unjustifiable practices had grown up in our customs administration, notably the practice of determining values of imports upon detective reports never disclosed to the persons whose interests were affected. The use of detectives, though often necessary, tends towards abuse, and should be carefully guarded. Under our practice as I found it to exist in this case, the abuse had become gross and discreditable. Under it, instead of seeking information as to the market value of merchandise from the well-known and respected members of the commercial community in the country of its production, secret statements were obtained from informers and discharged employees and business rivals, and upon this kind of secret evidence the values of imported goods were frequently raised and heavy penalties were frequently imposed upon importers who were never permitted to know what the evidence was and who never had an opportunity to meet it. It is quite probable that this system tended towards an increase of the duties collected upon imported goods, but I conceive it to be a violation of law to exact

more duties than the law provides, just as it is a violation to admit goods upon the payment of less than the legal rate of duty. This practice was repugnant to the spirit of American law and to American sense of justice. In the judgment of the most competent experts of the Treasury Department and the Department of Commerce and Labor it was wholly unnecessary for the due collection of the customs revenues, and the attempt to defend it merely illustrates the demoralization which naturally follows from a long continued course of reliance upon such methods. I accordingly caused the regulations governing this branch of the customs service to be modified so that values are determined upon a hearing in which all the parties interested have an opportunity to be heard and to know the evidence against them. Moreover our Treasury agents are accredited to the government of the country in which they seek information, and in Germany receive the assistance of the quasi-official chambers of commerce in determining the actual market value of goods, in accordance with what I am advised to be the true construction of the law.

These changes of regulations were adapted to the removal of such manifest abuses that I have not felt that they ought to be confined to our relations with Germany; and I have extended their operation to all other countries which have expressed a desire to enter into similar administrative relations.

I ask for authority to re-form the agreement with China under which the indemnity of 1900 was fixed, by remitting and cancelling the obligation of China for the payment of all that part of the stipulated indemnity which is in excess of the sum of eleven million, six hundred and fifty-five thousand, four hundred and ninety-two dollars and sixty-nine cents, and interest at four per cent. After the rescue of the foreign legations in Peking during the Boxer troubles in 1900 the Powers required from China the payment of equitable indemnities to the several nations, and the final protocol under which the troops were withdrawn, signed at Peking, September 7, 1901, fixed the amount of this indemnity allotted to the United States at over $20,000,000, and China paid, up to and including the 1st day of June, last, a little over $6,000,000. It was the first intention of this Government at the proper time, when all claims had been presented and all expenses ascertained as fully as possible, to revise the estimates and account, and as a proof of sincere friendship for China voluntarily to release that country from its legal liability for all payments in excess of the sum

China.

which should prove to be necessary for actual indemnity to the United States and its citizens.

This Nation should help in every practicable way in the education of the Chinese people, so that the vast and populous Empire of China may gradually adapt itself to modern conditions. One way of doing this is by promoting the coming of Chinese students to this country and making it attractive to them to take courses at our universities and higher educational institutions. Our educators should, so far as possible, take concerted action toward this end.

Chinese Students.

On the courteous invitation of the President of Mexico, the Secretary of State visited that country in September and October and was received everywhere with the greatest kindness and hospitality.

Mexico and Central America.

He carried from the Government of the United States to our southern neighbor a message of respect and good will and of desire for better acquaintance and increasing friendship. The response from the Government and the people of Mexico was hearty and sincere. No pains were spared to manifest the most friendly attitude and feeling toward the United States.

In view of the close neighborhood of the two countries the relations which exist between Mexico and the United States are just cause for gratification. We have a common boundary of over 1,500 miles from the Gulf of Mexico to the Pacific. Much of it is marked only by the shifting waters of the Rio Grande. Many thousands of Mexicans are residing upon our side of the line and it is estimated that over 40,000 Americans are resident in Mexican territory and that American investments in Mexico amount to over seven hundred million dollars. The extraordinary industrial and commercial prosperity of Mexico has been greatly promoted by American enterprise, and Americans are sharing largely in its results. The foreign trade of the Republic already exceeds $240,000,000 per annum, and of this two-thirds both of exports and imports are exchanged with the United States. Under these circumstances numerous questions necessarily arise between the two countries. These questions are always approached and disposed of in a spirit of mutual courtesy and fair dealing. Americans carrying on business in Mexico testify uniformly to the kindness and consideration with which they are treated and their sense of the security of their property and enterprises under the wise